

# BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

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73-96

AUGUST, 1942

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ANTI-WASTERS...METHODS AND IDEAS...BOOKS...LIFE INSURANCE  
WASHINGTON...TRUST RESEARCH...BANK RED CROSS UNITS...NEWS

★ ★ ★ ★ ★ ★ ★ ★ ★ ★

# ★ Clear the Lines for the War ★

★ Before you make a Long Distance telephone call today, ask yourself these questions: ★

★ 1. Is it necessary? ★

★ 2. Will it interfere with war calls? ★

★ The weight of war on the telephone lines is heavier every day. We can't build the new lines to carry it because sufficient materials aren't available. ★ We've got to make the most of the service we now have. ★

★ Please give a clear track to the war effort by confining your Long Distance calls to those that are really necessary. ★

★ ★ ★ ★ ★ ★ ★ ★



**WAR CALLS  
COME FIRST**

**BELL TELEPHONE SYSTEM**



# Just a Minute



WIDE WORLD

Detroit, which was to have been the scene of the 1942 American Bankers Association convention, symbolizes our \$45 billion output of war goods this year. The picture shows a Chrysler tank plant

## A War Convention in Print

THIS YEAR, Mr. Banker, you'll read your A.B.A. convention, not attend it.

BANKING has the honor to announce that its September issue will be the meeting place of the 1942 convention of the American Bankers Association.

It's the first time the Association's yearly session has been held in print; maybe it's the first time any large organization has convened typographically. The story is briefly this:

When it was decided to cancel, because of transportation problems, the National Conference on Wartime Finance which earlier this year was substituted for the annual convention, Association officials hit upon the idea that men who were to have talked at Detroit (the convention city) could just as well appear on the printed page. In other words, they'd write instead of speak.

So plans for a September BANKING along these lines were shaped immediately by the headquarters staff.

First, members of the Association were asked by President Koencke what

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# BANKING

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# ON GUARD



We place all our faith and trust in the gallant men who compose our armed forces. We know they are vigilantly guarding our liberties, night and day, and that because of them, we can go about our usual duties in comparative serenity. » » La Monte Safety Paper, through guarding against possible check fraud, is relieving the harassed Banker and Business Man of a potential source of worry and loss. La Monte Safety Papers, invented seventy-one years ago for checks and other negotiable documents, are the Symbol of Safety. Your lithographer or printer will be glad to show samples and explain how your trade mark or insignia can be adapted to your check paper.

GEORGE LA MONTE & SON, Nutley, N. J.

LA MONTE *Safety* PAPER





## JUST A MINUTE—Continued

questions they would like to have discussed in the magazine. Then letters went out to speaker-writers, and dozens of details incident to adapting a wartime convention program to the medium of type were smoothed out.

### You'll Remember September

WE'RE NOT going into details here. But we do promise an unusual magazine next month.

Yes, there'll be plenty of pictures. And plenty of information on the practical problems banks are encountering in their service of their fighting Uncle Sam.

### Bank Earnings

SPEAKING OF bank problems and A.B.A. meetings—a familiar figure at the latter is JOHN J. DRISCOLL, the Philadelphia bank analyst. This month he appears, not at a gathering of bankers, but on page 22 of this issue. The occasion is his authorship of "The Outlook for Bank Earnings."

Frankly, Mr. DRISCOLL is none too optimistic. It's his opinion that last year's bank earnings from operations were the best that are likely to be seen for "a number of years," and they were "still considerably short of a sound earning power," at that.

Mr. DRISCOLL, however, is constructive. He has several suggestions for meeting the situation. One is the matter of service charges. He believes the next year or two will see "a decided increase" in them.

### P-L-M-S

To ROY A. FOULKE we said:

"The WPB's regulations affect just about every business in the country. And just about every business is a candidate at one time or other for bank

credit. Ergo, these mimeographed, single spaced sheets issuing from Washington have messages for bankers as well as for the makers of croquet wickets and/or neckties."

Whereupon we handed Mr. FOULKE, a sheaf of WPB copy and said: "Now go to it."

He did, emerging a week later with "WPB's P-L-M-S." Those letters identify the four series of regulations by which Mr. Nelson's office has put us "over the hump" productively.

### 1660s—1940s

MR. FOULKE, being something of a historian, starts his article with a pleasant reminder that regulation, like most other things, is a very old story. Going back to M. Jean Baptiste Colbert, our author reminds us that that famous reformer of French finances was also the Great Regulator. M. Colbert gave himself the assignment of controlling every detail of France's industry. He standardized, he built model factories, he punished violators. He regulated in wartime and in peacetime. He punished violators. He had lots of opposition, lots of what passed in those days for chiseling.

But we interrupt. The article is on page 19. And it isn't *all* about M. Colbert. It's quite up to this minute.

### Private Smith

J. WILL IRWIN, who does the scripts for the Irwin-Kirkpatrick cartoons that have enlivened many BANKINGS, is in the Army now.

However, he's still able to work with Bob K in their writing-drawing act. The result is this month's piece on pages 26 and 27 which reflect Private IRWIN's donning of the khaki.

His character, Private Smith, the ex-  
(CONTINUED ON PAGE 5)



"It's been like this ever since Jones was drafted"

## R. G. RANKIN & CO.

CERTIFIED  
PUBLIC  
ACCOUNTANTS

Examinations  
of  
Banks and Trust Companies  
for  
Directors' Committees

NEW YORK  
CHICAGO  
WASHINGTON

BUSINESS NEED NOT  
"FLY BLIND"



Our services chart a safe course through problems involving reorganization and refinancing.

The AMERICAN  
APPRAISAL Company  
CONSULTANTS IN PROPERTY ECONOMICS

# An Opportunity

Our government has given us an opportunity to make the soundest investment in the world, through the purchase of United States War Savings Bonds and Stamps, which will furnish the money to back up the armed forces.

This investment is an obligation as well as an opportunity to actively participate in the Victory program.

Let us all invest for Victory.



U.S. War Savings Bonds and Stamps  
are on sale in Post Offices, Stores,  
Business and Financial Institutions,  
Schools, Theatres, and IBM Offices  
throughout the Country

INTERNATIONAL BUSINESS MACHINES CORPORATION

## JUST A MINUTE—Continued

banker, finds himself in very good company.

### Better Late . . .

EARLY THIS YEAR BANKING reported the wartime activities of alumni of The Graduate School of Banking. Among those not present or accounted for was FRANK B. LINFOOT of the Genesee Valley National Bank, Geneseo, New York.

Six months later, however, came a letter from Major FRANK B. LINFOOT, commanding a cavalry squadron at Fort Devens, Massachusetts. The major said that he had been inducted into Federal service from the New York National Guard just a year before we asked the G.S.B. men for information about their war services. Maneuvers had caused the delay in reporting.

Major LINFOOT said he had met several officers who were Graduate School students. He added that his military lectures "have as much of a Scott tinge to them as I can produce; and I endeavor to apply a Stephenson thoroughness."

It seems he majored in trusts at the School, and the references are to Austin W. Scott and Gilbert T. Stephenson of the G.S.B. faculty.

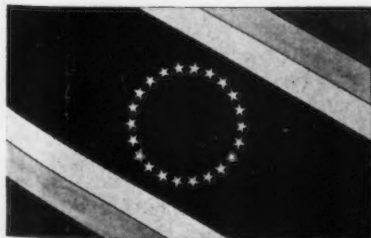
### Thar's Rubber in Them-Thar Trees

DOWN IN QUITO, Ecuador, J. MORTIMER SHEPPARD sat down at his typewriter and wrote BANKING a letter. We publish part of it because it's about rubber, and if there's anything of greater interest than rubber these days, just name it and we'll let the jury decide.

Anyway, Mr. SHEPPARD, director of South American News, the Pan American Society of Tropical Research, and editor of "Exploration and Scientific Research," typed out a story of Ecuador's wild rubber.

Lying between the Andean ridge and the Pacific, he wrote, is a section called the Occidente which contains a vast acreage of wild rubber trees. There's a

Here's the "New World flag," symbolizing the unity of the 22 western hemisphere nations



INTERNATIONAL NEWS PHOTO

August 1942

## "Sell More And Give Away Less"

A terse headline but, nevertheless, a "must" for those who are experiencing dwindling profits. Who hasn't been impressed by the pleasant, peppy, free service rendered in recent years by the many thousands of clean attractive gasoline filling-stations throughout the country? And yet can we expect them to continue such service with their money crop reduced to a trickle?

Similarly with revenue from mortgage loans, commercial paper, consumer credit and service charges shrunken or frozen, can banks be expected to

give away the many services which, in the past, were cushioned by adequate profits?

Recovering expense is just as important as making a sale and it so happens that check expense can be recovered. Sell more imprinted checks. That's the answer. Conserve your own inventories, not because you can't get all you need, but because you have to lay out money to do it.

You can please your customers and reduce your net cost if you encourage everyone to use imprinted checks.



Manufacturing Plants at

NEW YORK CLEVELAND CHICAGO KANSAS CITY ST. PAUL

## Serving the Business that Builds Baltimore

SINCE 1894



MARYLAND  
TRUST COMPANY  
BALTIMORE

Member of the Federal Reserve  
System and of the Federal Deposit  
Insurance Corporation

# NASHVILLE

A KEY CITY IN THE  
CENTRAL SOUTH

## Bankers and Industrialists

We have had broad experience in financing Government contracts and invite an opportunity to participate in the financing of firms and industries having war contracts or sub-contracts.

*A Key Bank in the Central South with resources over Ninety-five Million Dollars*

THE

# AMERICAN NATIONAL BANK

Member Federal Deposit Insurance Corporation

# NATIONAL BANK OF DETROIT

Complete Banking and Trust Service

Statement of Condition June 30, 1942

## RESOURCES

Cash on Hand and Due from Other Banks . . . . .	\$253,839,321.61
United States Government Obligations, direct or fully guaranteed . . . .	344,062,282.51
Other Securities . . . . .	65,159,367.68
Stock in Federal Reserve Bank . . .	900,000.00
Loans:	
Loans and Discounts . . . . .	\$ 88,346,521.60
Real Estate Mortgages . . . . .	16,756,385.14
Overdrafts . . . . .	38,463.80
Branch Buildings and Leasehold Improvements . . . . .	1,104,082.76
Other Real Estate . . . . .	13,970.63
Accrued Income Receivable—Net . .	1,338,370.31
Prepaid Expense . . . . .	483,592.90
Customers' Liability Account of Acceptances and Letters of Credit . . . . .	2,141,114.53
<b>TOTAL RESOURCES . . . . .</b>	<b>\$774,183,473.47</b>

## LIABILITIES

Deposits:	
Commercial, Bank and Savings . .	\$654,905,379.71
U. S. Government . . . . .	35,164,434.61
Treasurer, State of Michigan . .	14,548,576.60
Other Public Deposits . . . . .	28,903,999.52
Capital Account:	
Preferred Stock . . . . .	8,625,000.00
Common Stock . . . . .	10,000,000.00
Surplus . . . . .	11,375,000.00
Undivided Profits . . . . .	5,448,975.06
Reserve for retirement of Preferred Stock . . . . .	125,000.00
Reserve for Common Stock Dividend No. 16 payable August 1, 1942 . . . . .	500,000.00
Reserves . . . . .	2,445,993.44
Our Liability Account of Acceptances and Letters of Credit . . . . .	2,141,114.53
<b>TOTAL LIABILITIES . . . . .</b>	<b>\$774,183,473.47</b>

United States Government securities carried at \$68,399,337.68 in the foregoing statement are pledged to secure public and trust deposits and for other purposes required by law.

## DIRECTORS

HENRY E. BODMAN	JAMES S. HOLDEN	PETER J. MONAGHAN
ALBERT BRADLEY	JAMES INGLIS	R. PERRY SHORTS
CHARLES T. FISHER	WILLIAM S. KNUDSEN	GEORGE A. STAPLES
CHARLES T. FISHER, JR.	ALVAN MACAULEY	R. R. WILLIAMS
JOHN B. FORD, JR.	WALTER S. McLUCAS	C. E. WILSON

## TRUST DEPARTMENT

This bank acts as Trustee, Executor and Corporate Agent

Member Federal Deposit Insurance Corporation

**BUY U. S. WAR BONDS REGULARLY OUT OF INCOME**



Denver's first outdoor service flag, flown by the Denver National Bank

good, all-weather highway from Quito as far as Santo Domingo de los Colorados, which is halfway to the Pacific and almost in the heart of the district.

"Tons of rubber," wrote Mr. Sheppard, "are here for the taking, to say nothing of the balsa, hardwoods, and other essential needed raw products. All of this can now be transported by truck to Quito, hence by rail to Guayaquil for shipping to the States. Or it can be taken farther west over good trails a short distance to where it can be loaded on balsa rafts and floated to the Pacific.

"Labor in Ecuador is cheap—dirt cheap. Peones can be hired for as little as 30 cents a 10-hour day, for cutting and sawing balsa, bleeding rubber trees and such other manual tasks as may be required."

Mr. SHEPPARD believes that capital and efficient management are all that's needed to start rubber flowing out of Ecuador's Occidente "in a steady, reliable stream and at a cost of production that would allow for a more than ample profit."

Now that rubber is more precious than gold, he who prospects for it is the modern Forty-Niner.

## That July Cover

"I JUST received my July issue of BANKING," wrote Corporal GEORGE S. SPOTTS from a military post in Pennsylvania, "and all the men here in the finance office admired the American flag on the front cover. Is it possible to get one or two prints of the flag suitable for framing?"

"I am a member of the Lebanon County (Pennsylvania) Chapter of the American Institute of Banking."

It happened that some extra proofs of the cover were available and Corporal SPOTTS got two of them by return mail.



Insist that your fire insurance bears these outstanding symbols



**NATIONAL UNION  
FIRE INSURANCE  
COMPANY**

*Pittsburgh, Pa.*

DEPENDABLE PROTECTION

## Polk's Bankers Encyclopedia

The bank directory of superior convenience, scope and general merit.

Issued March and September

**\$15.00 Per Copy**

**R. L. POLK & CO.**

Largest Directory Publishers  
in the World

EXECUTIVE OFFICES

Polk Directory Building  
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Associate Offices in Twenty  
Principal Cities

### Birthdays

The KENOSHA (Wisconsin) NATIONAL BANK, celebrating its 90th anniversary this year, has published an illustrated brochure, "Ninety Years in Kenosha." The FIRST NATIONAL BANK of Wisconsin Rapids, Wisconsin, observes its 70th birthday with a special folder tracing seven decades of our economic history.

The MORRIS PLAN COMPANY of Terre Haute, Indiana, distributed a silver anniversary booklet recently in connection with the opening of new quarters.

### September Preview

GOING BACK to that September issue—or rather, looking ahead to it—we'll give you a brief preview of its contents. In other words, here are a few of the "convention speakers," the men who are going to write the convention:

W. RANDOLPH BURGESS, chairman of the A.B.A. Economic Policy Commission; MARK A. BROWN, recently financial consultant to the WPB; JOSEPH B. EASTMAN, Director of Defense Transportation; MARCUS NADLER, professor of finance at New York University; President HENRY W. KOENEKE and First Vice-president W. L. HEMINGWAY, two of the Association's general officers.

And many, many more. Looks good, doesn't it?

JOHN L. COOLEY

"Oh, but I don't want one of those deposit accounts—just a charge account like I have at the department store!"



## THOUSANDS OF AMERICANS REGARD *Canada* AS THEIR VACATION LAND

Canada's vast war effort has not interfered with the delightful recreation and abounding interest this vacation land affords to thousands of Americans. Neither has there been any diminution of Canadian welcome and hospitality, nor of appreciation for the American-made "Tourist Industry."

Indeed, one of the contributions which the United States has made to Canada, in the common emergency, has been the constant flow of northbound tourists. It helps the United States too, because American money spent in Canada furnishes much-needed dollar exchange with which more American goods can be bought.

But more important than economic considerations, across-the-border travel fosters exchange of ideas between neighbors, international understanding and cooperation, tolerance and goodwill.

Bank of Montreal is one of the leading factors in providing service for American tourists. Its 500 offices in Canada and Newfoundland are centers to which thousands of vacationists turn for information, guidance and banking facilities.

NEW YORK: 64 Wall Street  
CHICAGO: 27 South LaSalle St.  
SAN FRANCISCO: 333 California St.

HEAD OFFICE—MONTREAL  
Over 500 Branches in Canada and  
Newfoundland

**BANK OF  
MONTREAL**

ESTABLISHED 1817

ASSETS OVER A BILLION DOLLARS

# THE CONDITION OF BUSINESS

By WILLIAM R. KUHN

**THE OUTLOOK.** During the next few months small businesses of every kind will come actually face to face with the day of reckoning about which a great deal has been said and little done. Some of the businesses, of course, are not so small.

Practically everything done thus far to treat the injuries of wartime business casualties has been ineffectual. Remedies have all been along the same line, restricted to converting non-essential industries to war production, or to putting them on credit relief, or simply letting them die. There is something else that might be done, however, and this alternative has not had the attention it deserves. It should be possible to do much more than has already been done toward converting these badly hurt or threatened enterprises to essential civilian production, without sacrificing critical materials and with a net gain to the war effort.

**WAR NEEDS FIRST.** The reason this natural step has received so little study is that the military needs have been completely our first order of business up to this time. The whole problem of civilian requirements was swept so far into the background that it disappeared from sight almost completely for a while.

Only very recently has the output of munitions and most war goods reached a point where more attention can be given to the needs of the home front. That is why the vast potential production now facing extinction and the vast prospective shortages of civilian goods can be regarded as twin problems, Siamese twins.

**DIMENSIONS OF PROBLEM.** The only available information on the subject indicates the existence of about 24,000 industrial plants, with a total production of around \$4 billion last year, threatened by this priority blackout. Bound up closely with the fate of this group is that of thousands of retail establishments, service agencies and many entire communities.

There is not much that we can borrow from England's experience in meeting the problem because the British situation has been different from the start. The risk of bombing forced Britons to scatter their production as widely as possible and they were thus obliged to make good use of their small industries for war production.

The saving of business whose existence is threatened by war conditions is mainly a job for each community concerned. The circumstances are different in every case and the treatment must fit the case.

Nothing that has been done or is likely to be done by the Government to solve the problem nationally can take the place of a vigorous and well organized community effort to take care of itself.

**LOCAL RESPONSIBILITY.** On the one hand there is productive capacity which last year turned out a very substantial amount of civilian goods. On the other hand there is the entire mass of civilian population in the United States to be supplied with necessities. It is hard to believe that any large number of facilities will be allowed to close down in the face of a domestic civilian market about to be deprived of things that it needs and

is willing to pay for. The huge prospective shortage of civilian goods and the large potential production facing idleness should be introduced to each other.

**NOT EXACTLY NEW.** The problem of doing something for small business is not strictly a wartime development in this country. The war made it more acute but the thing has been festering for 10 years or more.

It is an outgrowth in large measure of the progressively stricter regulation of everything on a national scale dating from the time of the NRA, first under the whip of depression and now, the war. Increasing hazards, taxes and complexities have been the common experience of everybody trying to make something and sell it, and the smaller the business the greater the hardship.

The result was that it became a job, and a very formidable one, to carry on old enterprises, let alone father new ones.

With centralized planning of industrial activity now in fullest flower, a business must be fairly big to be healthy, because the existence of hundreds of thousands of free and independent industries and businesses of all kinds simply does not fit in with a highly centralized managed economy.

---

## The Business of War

**SPENDING RATE.** The average daily rate of expenditures by the Treasury for war purposes has increased by more than 2,000 per cent in the last two years and about 400 per cent in the last year. The total is now approximately \$160 million daily.

**TOTAL SPENDING.** For the fiscal year ending June 30, 1942, a total of \$32,400,000,000 was spent, of which \$25,900,000,000 were for war activities.

**PERCENTAGE OF INCOME.** During the fiscal year just past 25 per cent of the national income went for war purposes. During the fiscal year ending the middle of 1943 it is estimated 55 per cent of the income will go for war.

**DEFICIT.** The deficit for fiscal 1942 is a little short of \$20 billion. If no additional tax revenue would be raised the deficit for fiscal 1943 would be more than \$56 billion. The gross public debt right now is about \$73 billion. Last year at this time it was about \$50 billion.

**PURCHASE OF FEDERAL SECURITIES** by commercial banks in fiscal 1942 accounted for \$26 billion of debt; insurance companies \$9 billion, mutual savings \$2 billion, Federal Reserve \$2 billion.

**COST OF LIVING** hesitated in its upward rise for the first time in 18 months. It now stands at about 115.1, based on 1935-39 equaling 100. The largest increase is in clothing to 126.9.

**TOTAL PROGRAM.** The total wartime financial program now stands at \$223 billion, including appropriations actual and proposed.

---

# No Priorities

IN YOUR OWN BACK-YARD!

JUST when your personnel problem is acute and your need for efficiency is greatest, priorities limit mechanization.

But . . . increased mechanization can often be secured without additional equipment. Many institutions have the necessary facilities for such an increase "right in their own back-yards."

Every National Accounting-Bookkeeping Machine is built to do the job that's needed today . . . to lessen man-hours, speed paper work, minimize waste and save money. And many Nationals can do even additional record keeping.

We suggest that you make sure you are getting the maximum amount of work from your Nationals . . . perhaps our men can point out additional operations that your machines can be adapted to do, time-saving short-cuts, combinations of jobs to save manpower and supplies.

We suggest, too, periodic inspection of your National machines. Our factory-trained servicemen can "keep 'em running" with timely repairs and standard parts.

National service includes our complete co-operation . . . we're always ready to help you look for the riches in your own back-yard.



The National Cash Register Company

DAYTON, OHIO



EWING GALLOWAY

## Regulation V

**C**REDIT ACTIVITY under Regulation V is experiencing a healthy growth and Washington officials concerned therewith appear to regard the plan as well conceived and destined to be successful. No over-all figures on Regulation V operations have yet been published, nor are there available many details of loans. In general, loans and guaranties have been made only to holders of war contracts. There have been a few exceptions, however, as in the case of a textile-treating plant which needed financial help in moving from one part of the country to another.

Advance payments by the Army and Navy to contractors were instituted about two years ago, and are rather widely resorted to. Some banks are now urging their customers on various grounds to utilize instead the facilities of Regulation V. In a number of cases, however, contractors still regard the advance-payment method as preferable.

Whatever may be the attitude of banks toward Regulation V, it is evident that Washington officials concerned with its operation are conducting no bush-beating campaign to get contractors to use it. Rather, their attitude seems to be that of a willingness to serve, if requested.

## WSS has new Field Director

ROBERT W. COYNE of Quincy, Massachusetts, for more than 16 years an official of the Treasury Department, has been appointed field director of the War Savings Staff. Mr. Coyne heads a Washington staff of 100 persons and the 50 War Savings field offices.

## THIS MONTH

- Regulation V
- Hawaii Currency
- War Savings Staff
- Payroll Allotment
- Mortgage Amortization
- Alien Property vs Foreign Funds
- Banks and Regulation V
- WPB
- Gold

Secretary Morgenthau announced that Robert W. Sparks, field director since April 1941, would continue his service to the Treasury only as part-time consultant to the War Savings Staff, since he has been recalled to his duties as vice-president of the Bowery Savings Bank of New York City.

## Inter-American conference on "freezing"

FROM June 30 to July 10 there met in Washington the Inter-American Conference on Systems of Economic and Financial Control. The chairman of the conference was Edward F. Foley, Jr.,

general counsel of the Treasury Department.

The conference adopted several resolutions relating to transactions with aggressor nations and nations dominated by them, transactions with countries outside the Western Hemisphere, transactions among the American Republics, the control of the movement and transfer of securities, and similar matters. Naturally, these resolutions do not have any force unless adopted by the respective countries of the hemisphere. It is expected, however, that the Treasury, in its foreign funds control efforts, will benefit by the opportunity which this conference afforded to interchanged ideas on ways and means of making as effective as possible the control of resources owned by enemies of the hemisphere.

Regrettably, nothing occurred in this conference to change the general attitude which Argentina and Chile officially took at the earlier Pan American conference in Rio de Janeiro.

## WPB's realignment

THE REALIGNMENT of the WPB announced by Chairman Nelson should make for more efficient operation. The new arrangement was designed to free Mr. Nelson from much of the administrative burden, placing it largely on William L. Batt. Mr. Batt, in the newly-created post of vice-chairman, is in effect chief-of-staff, and to him report directly the heads of the Smaller War Plants Corporation, Office of Civilian Supply, Planning Committee, Statistics Division, Legal Division, Administrative Division and Labor Production Division.

Two other "really important" changes were the creation of the posts of Vice-chairman on Program Determination, which is occupied by James S. Knowlson, and Deputy Chairman on Program Progress. Both report to Vice-chairman Batt, as does the newly-created Director General for Operations, Amory Houghton, who heads the 10 industry and commodity divisions and the 13 re-

(CONTINUED ON PAGE 12)

The closing session of the Inter-American conference on "freezing" (See item above, left)





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*Statement of Condition, June 30, 1942*

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BANKING HOUSES . . . . .	37,250,709.41
OTHER REAL ESTATE . . . . .	6,878,110.34
MORTGAGES . . . . .	8,043,652.52
CUSTOMERS' ACCEPTANCE LIABILITY . . . . .	4,041,384.63
OTHER ASSETS . . . . .	9,039,843.76
	<u>\$3,869,463,740.13</u>

## LIABILITIES

CAPITAL FUNDS:	
CAPITAL STOCK . . . . .	\$100,270,000.00
SURPLUS . . . . .	100,270,000.00
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	<u>\$ 241,339,654.82</u>
DIVIDEND PAYABLE AUGUST 1, 1942 . . . . .	5,180,000.00
RESERVE FOR CONTINGENCIES . . . . .	11,509,712.71
RESERVE FOR TAXES, INTEREST, ETC. . . . .	3,836,521.78
DEPOSITS . . . . .	3,595,451,030.54
ACCEPTANCES OUTSTANDING . . . . .	4,625,177.35
LIABILITY AS ENDORSER ON ACCEPTANCES AND FOREIGN BILLS . . . . .	768,076.80
OTHER LIABILITIES . . . . .	6,753,566.13
	<u>\$3,869,463,740.13</u>

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### NATIONAL PROSPECT—Cont.

gional offices. The head of the Smaller War Plants Corporation is also a deputy chairman of WPB.

Mr. Nelson at his press conference explained that the new set-up eliminates overlappings of authority and makes for smoother operation and quicker decisions.

Working with the Vice-chairman on Program Determination is the Procurement Policy Division, formerly the Division of Purchases, under Holder Hudgins, and a new Construction Program Division, which is responsible for considering and scheduling all plans for capital expansion, whether military or otherwise, and making sure that facilities expansion projects are in accord with the maximum over-all program.

Working with the Director General of Operations are:

A new Production Engineering Division, to help in the development and wide use of new production methods and techniques in the war program;

A new Facilities Utilization Division, responsible for seeing that proper use is made of available productive facilities;

The Inventory Control Division;

The Division of Industry Advisory Committees;

The Priorities Administration Division, and the Conservation Division.

### Smaller War Plants Corporation

AMONG THE Smaller War Plants Corporation's directors announced by Donald Nelson, is Albert M. Carter, an

Illinois business man who is also director of the First National Bank of Murphysboro, Illinois.

At this writing it is expected that the WPB's Bureau of Finance will be merged with the new corporation. During June the Bureau of Finance obtained \$62,120,464 for manufacturers engaged in war production, as compared with \$54,476,358 in May. In April the total was slightly more than \$55,000,000. The financing in June was among 397 companies throughout the nation, as compared with 429 companies in May and 289 companies in April. Financing was secured from local banks, Federal Reserve banks, the Army, Navy, Maritime Commission and other public and private agencies.

### Hawaii currency

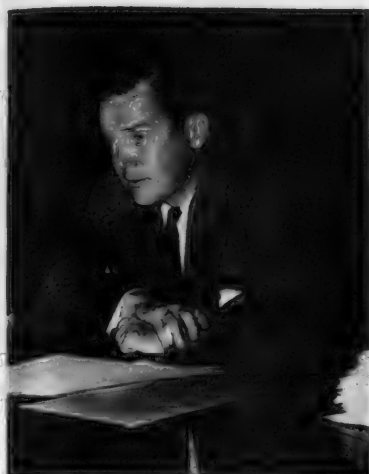
FOR VERY good reasons, the Treasury as of July 15 has replaced all United States paper currency circulating in Hawaii with special Hawaiian notes. The latter consist of United States paper currency surcharged "Hawaii" in bold-faced type on each end of the face and across the reverse side. In place of the blue seal and number on the face of the dollar bills, however, the Hawaiian notes have a brown seal and numbers.

Since July 15, no currency other than that of the United States, Hawaiian series, may be held or used in the Territory of Hawaii without a license from Governor Poindexter, and exportations of the new currency from Hawaii are prohibited.

### BRAZILIAN MONETARY PACT

Fernando Lobo, Brazilian Chargé D'Affaires, right, with Secretary Morgenthau, center, sign agreement extending the stabilization agreement begun five years ago. Francisco Dos Santos, left, is director of the Exchange Bank of Brazil. Dr. Harry D. White, left, standing, is the U. S. Director of Monetary Research, and Enrico Penteado is financial attaché of the Brazilian Embassy





#### SMALL BUSINESS

Philip D. Reed, chief of the WPB War Industries Branch, before the House Small Business Committee, estimated that 24,000 small manufacturers will be forced to close, being unable to participate in war production

Any person importing ordinary United States currency into Hawaii after June 25, 1942 must deposit immediately such currency with an official at the appropriate port of entry, and will receive in return currency of the new series. Persons wilfully disobeying these regulatory provisions will be subjected to severe criminal penalties, under orders issued by Brigadier General Thomas H. Green.

The new series is currency of the United States issued by the United States Treasury Department as legal tender for Hawaii and is fully backed by the credit of the United States. A note of the new series differs from ordinary American currency only in that it bears the distinctive overprint.

License applications to hold or use ordinary United States currency in Hawaii or to export United States currency, Hawaiian series, from Hawaii may be filed with Governor Poindexter on Form TFR-H28 in the manner in which Foreign Funds Control applications are filed.

The Treasury desires to limit the circulation of the new notes to Hawaii and hopes that if any of them find their way to the mainland, they will be turned in to the Treasury.

So far as can be ascertained in Washington, these notes constitute the first United States currency ever issued for circulation in a limited area.

#### Sound advice from Wickard

SECRETARY OF AGRICULTURE Claude R. Wickard has some good advice for

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those who think disposing of surpluses is simply a matter of putting the surpluses on an outward-bound ship. In a Texas radio broadcast the Secretary said:

If we produce more than can be consumed in the domestic market and we wish to place this surplus on the world market, we are likely to get less for it than we get for our goods sold at home. This situation has prevailed now for a good many years and even if world trade revives to enormous proportions after the war, it is likely to be true for some years to come. Consequently, producers either will receive less for their sales on the world market or the difference must be made up to them by payments out of the Treasury.

It may be possible to lessen the difference between the domestic price and the world price by international agreements affecting the great export commodities.

Nations should realize that the struggle to give away goods is ruinous in the long run to all concerned.

### **Birthday**

The Federal Savings and Loan Insurance Corporation was eight years old June 27. Originally capitalized at \$100,000,000 it has accumulated a surplus and reserves of \$33,000,000.

The Insurance Corporation now protects more than 3,140,000 investors in some 2,365 institutions with combined assets upwards of \$3,300,000,000. During 1941 alone, private investments in these institutions rose by about 16 per cent.

To date, only 33 insured institutions have encountered difficulties requiring action by the corporation. Twenty-six of these associations have received or are receiving financial help from the insurance corporation which has prevented their default or any loss on the

part of their investors. In the seven other cases, the institutions have gone to liquidation. Of the 7,850 investors in these latter institutions, 6,869 already have received payment of insurance; payment to the others will be made as soon as accounts are verified in recent cases.

### **Remodeling and Regulation W**

HOUSING WAR workers through the repair and remodeling of existing property was given new encouragement in a simplifying order issued recently by the National Housing Administrator. The order empowers qualified creditors or lenders to decide whether a proposed remodeling project is "war housing" and is thus exempt from the Regulation W credit restrictions established by the board of governors of the Federal Reserve System.

The ruling makes it unnecessary to file an application with the Division of Defense Housing, now an integral part of the NHA, to obtain credit approval for war housing conversion or rehabilitation projects. Since the authenticity of war housing is now being determined by WPB in connection with priorities on critical materials, the duplicate approval of NHA has been eliminated.

Details may be obtained from any FHA office.

### **Alien Property vs. Foreign Funds Control**

ALL TREASURY orders relating to the control of foreign funds are signed by E. H. Foley, Jr., as Acting Secretary of the Treasury, whether or not the Secretary happens to be in town. This is distinctly an unusual procedure, and

### **LEND-LEASE**

Secretary of State Cordell Hull and Norway's Ambassador Wilhelm Morgenstierne with lend-lease agreement providing aid to Norway's merchant marine, the fourth largest in the world



INTERNATIONAL NEWS PHOTO  
**BANKING**



was not welcomed by everyone in the Treasury when first instituted.

Mr. Foley is very much interested in the Foreign Funds Control activities of the Treasury Department, an interest which for some time is said to have delayed the agreement with the Alien Property Custodian as to division of powers. Involved in this were questions of alien interests in securities and trusts and estates.

A bit belatedly the President, through Executive Order No. 9193, settled the jurisdictional problem connected with alien property control. The Treasury continues to have power over alien-owned cash, bullion, deposits, credits, foreign exchange, and the like, but the APC is given full power over any alien interest in a business enterprise. APC's power over estates and trusts is included in the Executive Order in the following language:

Any property of any nature whatsoever which is in the process of administration by any person acting under judicial supervision or which is in partition, libel, condemnation or other similar proceedings and which is payable or deliverable to, or claimed by, a designated enemy country or national thereof.

### *Banks and Regulation V*

THE COMMITTEE on Banking Practice of the Association of Reserve City Bankers has sent to association members a bulletin on loans by banks under Regulation V. The bulletin is a synopsis of the committee's findings at a recent meeting in Washington. Hugh H. McGee, vice-president, Bankers Trust Company, New York, is chairman of the committee.

The bulletin says that loans under Regulation V "are coming into increasing usage and will doubtless become a prime means of financing as their purpose and application are more generally understood by banks and contractors. Banks must realize that what Government seeks is maximum production—hence production loans which will support maximum production."

### *Minimum payroll allotment*

THE WSS's suggestion that everyone invest in War Savings Bonds at least 10 per cent of his income is not limited to 10 per cent. In Washington the Interdepartmental War Savings Bond Committee has supplied every government worker with a little explanatory pamphlet called "A Message to You."

The Board of Economic Warfare, for example, advised its employees that the President recently stated War Bond purchases should be "big enough to be rigid self-denial." In keeping with

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## DOMESTIC FINANCE CORPORATION

### DIVIDEND NOTICES

#### COMMON STOCK

A quarterly dividend of 35c a share, has been declared on the common stock of the company, payable August 1, 1942, to holders of record July 27, 1942.

#### 55TH CONSECUTIVE DIVIDEND Cumulative Preference Stock

The 55th consecutive quarterly dividend on the Cumulative Preference Stock of the company and predecessor constituent company has been declared at the rate of 50c a share, payable August 1, 1942, to holders of record July 27, 1942.

**L. E. MICKLE,**  
Exec. Vice-Pres. and Treasurer

39 OFFICES IN 10 STATES

this policy the BEW has adopted a "schedule of recommended deductions for each salary range." It should be noted the recommendations are the "suggested minimum" only.

Thus an employee earning \$45 semi-monthly is expected to invest in War Bonds not less than \$3.75 thereof. This is 8 1/3 per cent. But an employee whose pay check is \$133.33 is expected to allot to War Bonds a minimum of \$15 thereof, and one whose semi-monthly pay is \$333.33 is expected to so invest \$60. In terms of per cent, the recommended minimum allotments range to about 19.8 per cent.

### Unimportance of gold

CHAIRMAN ECCLES was questioned by Congressman Smith on the role of gold in our monetary system. The colloquy is worth more attention than it seems to have received. Below are some extracts from it:

**Mr. Smith:** Well, doesn't this ultimately hinge on the Gold Reserve Act of 1934, which specifically provides that all forms of currency shall be maintained at a parity with gold?

**Mr. Eccles:** Congress can change the act as they did in 1934—the question of what the gold reserve is. That is an arbitrary matter left up to Congress. I mean there is nothing sacred about the present reserve requirements and statutory provisions. They have been changed before and they can be changed again.

**Mr. Smith:** Then you think we can change the amount of reserves at will without affecting the value of securities?

**Mr. Eccles:** Yes. I think the gold reserve has no relationship to the value of the securities. . . .

**Mr. Smith:** You would go on record—I don't believe you want to do that, go on record as saying the amount of gold reserve has no relation to the stability of the value of circulating currency or bank currency—I don't believe you want to do that. . . .

**Mr. Eccles:** That is right, yes, I do. I don't want to retract anything. I am perfectly willing to let that stand. . . .

I do deny that the amount of the gold reserve, the gold requirements, have anything to do with the price level which means it has nothing to do with the value of currency.

**Mr. Smith:** Aren't you in effect saying there is no relation whatever of the gold in this country to our currency?

**Mr. Eccles:** That is right.

**Mr. Smith:** There is no relation whatever?

**Mr. Eccles:** That is right.

**Mr. Smith:** You then take the attitude we are completely off the gold standard?

**Mr. Eccles:** Yes; completely.

### "Not a farm bloc, but investors bloc"

ACCORDING to Senator George D. Aiken of Vermont, "not a farm bloc, but an investors bloc" sought to prevent below-parity sale for feed of Government-held wheat and corn. The Senator stated, in part:

A large percentage of the livestock is produced on farms which are owned by banks and insurance companies and are rented on shares to corn belt farmers. These tenant farmers feed their own share of the crop on which the percentage of parity does not matter so long as it is marketed in the form of meat products. They also buy that share of the crop which belongs to the absentee capitalists who own the land and feed that also. . . .

I most certainly will not support any program so deliberately planned to take money out of all the hard-working farmers of America to swell the profits of Eastern capitalists, who already own too large a percentage of our rich farm lands for the good of our country.

*The Washington news in The National Prospect is reported for BANKING monthly by HERBERT BRATTER.*

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# ★ BOOKS ★

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## "Ladies and Gentlemen . . ."

**THE PUBLIC SPEAKER'S TREASURE CHEST.** By *Herbert V. Prochnow*. Harper & Brothers. 413 pp. \$3.50.

THE assistant vice-president of the First National Bank of Chicago subtitles this excellent volume "A compendium of source material to make your speech sparkle." Addressed to occasional public speakers and to folks who want to improve their conversation, it contains more than 4,000 humorous stories, epigrams, similes, quotations, anecdotes about famous people, and other nuggets.

Mr. Prochnow starts with a couple of chapters on preparing a speech; the "unpardonable sin in public speaking," he says, "is the sin of inadequate preparation." The remainder of the text consists of the aforementioned source material.

The book is well named. It's indeed a treasure chest.

## Instalment Credit

**CONSUMER INSTALMENT CREDIT AND ECONOMIC FLUCTUATIONS.** By *Gottfried Haberler*. National Bureau of Economic Research, New York. 239 pp. \$2.50.

HERE is No. 9 in the series of consumer financing studies undertaken by the Bureau under grants from the Association of Reserve City Bankers and the Rockefeller Foundation. The present volume has to do with the relationship of consumer instalment credit to cyclical movements in general business. It deals with such topics as how this form of credit may influence general economic stability; causes of instalment credit fluctuations, and their economic consequences; and the control problem. Data on regulation are as of April 1942. Dr. Haberler is on the Harvard faculty.

Two other studies in this series are in preparation for 1942 publication. One is a comparative analysis of the oper-

ating experience of consumer instalment credit; the final volume is a summary of the findings of the entire project.

## Interpreting Figure Facts

**BASIC FINANCIAL STATEMENT ANALYSIS.** By *Alexander Wall*. Harper & Brothers. 158 pp. \$2.50.

SINCE 1906, Alexander Wall, secretary and treasurer of Robert Morris Associates, has been studying credit procedure. He has written a good deal about it, too, and lectured at The Graduate School of Banking.

Writing for the owners and creditors of business, Mr. Wall here sets down theories and principles of statement analysis, implementing them with deductive analyses of figures from actual case studies. There is a chapter on term loans and another on credit administration. Particularly useful in this practical, well written book is Mr. Wall's suggested listing of things to do in analyzing a financial statement.

## Prices

**PRICE CONTROL—THE WAR AGAINST INFLATION.** Rutgers University Press. 171 pp. \$2.50.

THIS small volume includes four essays on the price control experience of foreign countries. The section on Sweden is by Erik T. H. Kjellstrom and that on Switzerland by Per Jacobsson. These two neutral nations have had several years of price control. The situation in Great Britain is summarized by Gustave H. Gluck. The Canadian objectives and methods are outlined by Ivan Wright. It is yet too early to try to appraise the effectiveness of Canadian procedures.

**PARITY, PARITY, PARITY.** By *John D. Black*. The Harvard Committee on Research in the Social Sciences, Cambridge, Massachusetts. 367 pp.

THIS study, by a distinguished agricultural economist, reviews the history of agitation for parity prices and parity income for agriculture. Various proposals for farm relief are considered.

The author finds that in some recent years farmers may not have had the full share of the national income to which they were entitled. However, he concludes: "It is more than possible that within a year an aroused public will wipe the slate clean of all parities and restrictions on agricultural production."

## Other Books

**AUDITING-THEORY AND ITS APPLICATION.** By *Arthur Warren Hanson*. McGraw-Hill Book Company. 488 pp. \$4. Professor Hanson—he is professor of accounting at Harvard's Graduate School of Business Administration—combines a textbook presentation of theory with a wide selection of cases drawn from practice.

**FEDERAL-STATE-LOCAL FISCAL RELATIONS.** Municipal Finance Officers Association, Chicago. 60 pp. \$1. This is a report prepared by Thomas H. Reed for the Committee on Local Government Activities and Revenues. Dr. Reed, who frequently writes for **BANKING**, makes several findings and suggests a program of action.

**PERSONAL FINANCE AND MANAGEMENT FOR THE ARMY OFFICER.** By *Lieutenant Colonel Charles R. Hutchison*, U. S. A. 185 pp. \$1.50. Here's a handbook designed to help new officers, particularly juniors, adjust themselves to their new economic surroundings. The author was formerly assistant professor of economics and government at the United States Military Academy at West Point.

**MONETARY THEORY.** By *George N. Halm*. Blakiston Company, Philadelphia. 347 pp. \$3.50. This text book offers "a modern treatment of the essentials of money and banking." Major emphasis is on theoretical problems. The author is at Tufts College.

**LET'S WRITE GOOD LETTERS.** By *Sherman Perry*. American Rolling Mill Company, Middletown, Ohio. 176 pp. \$1. Prepared to help members of one company write better business letters, this little book is available to others. It talks—simply and lucidly—about words, sentences, paragraphs, punctuation, letter-writing mechanics, secretarial duties, and many things that a good office employee should know.

# "What's Cookin'?"



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# BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

AUGUST 1942

## WPB's P-L-M-S

ROY A. FOULKE

*"Football signals are no more confusing to the uninitiated layman than are the WPB's series of regulations—P, L, M, and S—to the uninitiated banker. The operations of almost every business enterprise have been*

*affected: the retailer and wholesaler by the products that can't be purchased to round out inventories, the manufacturer by the restrictions on the use of raw materials and on what can and cannot be produced."*

Mr. FOULKE, manager of the Analytical Reports Department of Dun & Bradstreet, New York, is a frequent contributor to BANKING.

**T**wo hundred and seventy-five years ago Jean Baptiste Colbert was the enlightened financier and the practical economist of the most powerful country in Europe, the France of Louis XIV. He was a Henry Morgenthau, Leon Henderson, and Donald Nelson all rolled into one and with more power than all together.

For 22 years, from 1661 to 1683, Colbert was the greatest force in every department of the French Government with the exceptions of war and foreign affairs. His sustained thrifty interest, 24 hours a day for each

of these 22 years, however, was concentrated on the development of French industry and commerce. To Colbert the power of his country depended upon increased wealth, and wealth, according to the universal mercantilist theory of the day, was bullion, gold and silver which could be obtained only by exporting more merchandise than was imported.

In cultivating and stimulating manufacturing, Colbert regulated industry as it had never been regulated in the history of the world. Detailed instructions, laws, and edicts were formulated for specific industries. In order that French dyers, for example, might acquire a reputation for thoroughness in neighboring countries, he issued more than 300 articles of instructions for the conduct of the dyeing business. Weavers were given

An early textile plant (regulation was fairly simple then!) and making machine tools today



CULVER SERVICE



OEM PHOTO

August 1942

19

careful orders regarding the quality of the thread, the breadth of the cloth, and the fineness of the weave. Standards were set up for the twisting of silk thread from fibers. Different types of silk fabrics were to have distinctive selvages. All linen made in Normandy was to be sold at the market in Rouen.

Naturally there was resistance, evasion, and bitter resentment to these extensive and accumulating regulations. Business men who felt that they could make more profit by evading the required standards did so, and no amount of inspection could prevent inferior materials from going into merchandise. As "Iron-Pants" General Johnson learned in the hectic days of the Blue Eagle, it is exceedingly difficult to drill and to regiment industry like an army in time of peace. It's another story in time of the greatest emergency when the stakes are all or nothing.

**T**O CHANGE from a peacetime economy to a war economy has required complete coordination, careful planning, and sustained direction. At the very heart of this stupendous task of changing over our entire national economy in the fastest possible time is the priority system. The original purpose of priorities was to give preference to orders for war equipment and supplies. It soon became apparent that it was also absolutely essential to conserve scarce materials—they came to be called critical materials—by curtailing and then halting the production of hundreds of products.

The production of automobiles was stopped so that we might have increased production of ships and planes and tanks, but the ships and planes and tanks didn't come automatically. The production of electric refrigerators was stopped to get increased production of anti-tank guns, but the anti-tank guns didn't come automatically.

All this was the over-all job of the War Production Board, to make efficient order for war out of our existing hit and miss profit system, to treat nine-tenths of our productive capacity as a single industry and a single system, to take in the multitude of raw materials and to turn out pursuit planes, bomber planes, ships, tanks, cannons, anti-aircraft guns, munitions, and the thousand and one essential pieces of war equipment and supplies. To wage this battle for all-out production in these days of supreme crisis, the War Production Board and the

Office of Price Administration have become a tremendously vital factor in the daily lives of the hundreds of thousands of business enterprises that make up our democratic economy. World War II is a war of iron and steel and aluminum and copper, as well as a war of human flesh and "blood, sweat, and tears."

**T**HE number and the extent of the regulations affecting 17th Century French industry and commerce issued by Colbert over his 22 years of influence and power, pale into minor significance compared with the regulations which have been issued by WPB and OPA in less than that many months. For example, take the WPB. The Bureau of Priorities of the WPB has issued hundreds of "orders" to effect streamlined control over raw materials which have become classified by the type of the order into several "series." These orders affect the operations of thousands upon thousands of business enterprises and consequently their credit soundness. The four most important of these series go by the following titles: (1) P Series, (2) L Series, (3) M Series, and (4) S Series. What do these initialed titles represent? Let's see.

**P Series**—The first "P" order was issued on March 13, 1941. A "P" order is a limited blanket priority rating granted to a manufacturer or a group of manufacturers to facilitate the acquisition of scarce materials needed by these enterprises for the production of war products of essential civilian needs. A "blanket" rating is differentiated from the typical individual priority rating by the fact that it may be used continuously over a period of time to apply to many deliveries of scarce materials, while the individual priority rating applies to a single order.

Order number P-9-e, for example, was issued on June 30, 1941, became effective the same day, and expired on December 31, 1941. Under this order a rating of A-1-b was issued to manufacturers of heavy bombers to assure them of adequate quantities of gun sights, bomb sights, and gun fire controls. On December 31, 1941 the order was extended for one month, and then subsequently to March 31, 1942. On March 11, 1942, before this extension ran out, the P-9-e order was superseded by P-109, applying to a wider variety of raw materials and products essential for aircraft production.

**O**RDER P-98 was issued on January 14, 1942. Under it any concern defined as a producer, refiner, transporter or marketer of petroleum was entitled to an A-2 rating for any materials needed for the maintenance and the repair of an operator's equipment. On April 25, 1942 this order was revoked.

"P" orders assist the daily operations of business enterprises that obtain them. Such concerns presumably should operate profitably, provided the management has the skill, the organization, and the equipment to carry out war contracts efficiently. They are better credit risks insofar as they are more assured of necessary raw material to carry on operations in this emergency.

**L Series**—The first "L" order was issued on August 30, 1941. An "L" order is a direct prohibition against, or restriction of, the manufacture of specific non-essential products. Here is a type of order which is a distinct



Jean  
Baptiste  
Colbert

CULVER SERVICE



CULVER SERVICE

"Weavers were given careful orders regarding quality of thread, breadth of cloth, and fineness of the weave"

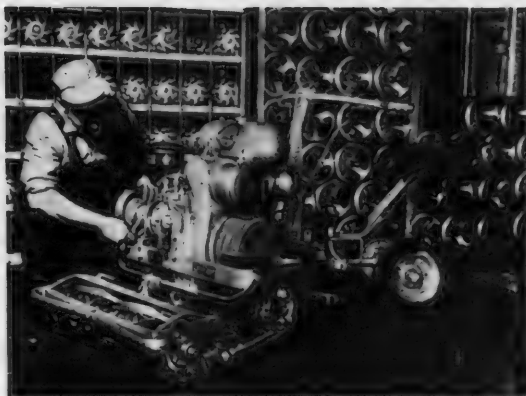
handicap to profitable operations of the concerns to which it applies; but these orders have been absolutely necessary to conserve critical materials and to provide expanding manufacturing facilities for war production. Probably more orders have been issued in the "L" series than in any other. The stoppage of the production of automobiles, metal furniture, typewriters, and vacuum cleaners was accomplished by "L" orders. As such orders may mean serious consequences to individual business concerns they should be of cardinal interest to the wide-awake lending banker.

Typical of such an order is L-18. This one, issued November 27, 1941, limited the production of domestic vacuum cleaners from October 1, 1941 to December 31, 1941. Order number L-18-b, issued March 30, 1942, extended the limitations one month to April 30, 1942, and then stopped all production of vacuum cleaners on that date to conserve steel, aluminum, and other critical materials and to concentrate the facilities of the industry 100 per cent on war work. Eighteen factories with approximately 12,000 workers were affected by this single order.

**M**ANUFACTURERS affected by "L" orders are of two broad classes. The first class represents those concerns whose peacetime operations have been stopped completely, such as the manufacturers of automobiles, vacuum cleaners, aluminum cooking utensils, lawn mowers, electric refrigerators, and vending machines. The great majority of these concerns are now utilizing their facilities to the utmost for war production, either as prime contractors or as subcontractors.

The change-over in operation for enterprises that are now operating at capacity on war production has made no appreciable modification in their credit standing except in some cases—where they are doing greater volume on a greater margin of profit—for the better. Where war work, however, has not been obtained in the volume to offset the loss of peacetime business, situations with various degrees of seriousness have arisen. Smaller concerns in this group that have had difficulty in utilizing their facilities to produce some newly-developed product for which raw material could be obtained, or in securing an adequate volume of war business represent the expanding headaches at the present time.

August 1942



OEM PHOTO

This power lawn mower plant today has been converted into a maker of tank hubs

The second class represents manufacturers of several lines of products, only some of which have been discontinued. The financial condition and degree of profitable operations of these concerns have depended upon their success in developing new lines or in obtaining war contracts to take up the slack. The problems of the day have naturally been concentrated on the smaller manufacturers and those problems are accumulating. They have had to exert their ingenuity from day to day, and from week to week to secure subcontracts, and to develop "industrial pools" to help themselves.

**M Series**—The first "M" order was issued March 22, 1941. An "M" order is designed to regulate the distribution and the flow of scarce material such as aluminum, magnesium, tungsten, neoprene, nickel, copper, cork, zinc, rubber, and chlorine, into war and essential civilian channels. The typical order in this class provides that war orders must be given preference and sets up rules and regulations governing the distribution of the material. Producers of raw materials under this type of control are required to submit delivery schedules in advance each month to the WPB, and are told just where they can make deliveries and just how much they can deliver to each customer.

An "M" order specifies how a given material may be distributed in contrast to a "P" order which assists a manufacturer in obtaining that material. Thus an "M" order regulates the distribution of steel while a "P" order is granted to a corporation engaged in building freight cars to assist it in obtaining steel.

**P**ROBABLY the most extensive of the orders in this series is M-126, effective May 5, 1942. M-126 is concerned with the shortage of iron and steel. Ours is the age of steel so the repercussions of this order have been far and wide. Forty-five days after the effective date of this order, the use of iron and steel was prohibited in the production of any item in an appended list of 302 products ranging from asparagus tongs, bird cages, and roller skates, to escalators and pneumatic tube delivery systems. The fundamental objective is to restrict the use of critical materials for civilian uses so that sufficient quantities will be available to pro-

(CONTINUED ON PAGE 69)

# The Outlook for Bank Earnings

JOHN J. DRISCOLL, JR.

*The author, a certified public accountant, is a member of the firm of Driscoll, Millet & Company, Philadelphia, bank analysts. He is also on the faculty of The Graduate School of Banking.*

ANY attempt to review the outlook for bank earnings necessitates consideration of wartime conditions and their effect on the various departments of a bank and on the profits or losses arising from these departments.

*It is my opinion that the year 1941 produced the highest earnings from bank operations that we will have for a number of years to come, and these earnings were still considerably short of a sound earning power.*

Of recent years, we have been able to supplement the income from invested funds by entering the consumer credit and personal loan field. Some banks have materially built up income from this source of lending. Today we are faced with a marked shrinkage in this field brought about by the restrictions on the sale of goods formerly financed in this department, and by the increased salaries and wages of customers who formerly made personal loans.

The full effect of this condition on the income of an individual bank is, of course, dependent on the volume of this type of business it has had the benefit of in the past. To what degree this will be offset by an increase in loans to finance the war is yet to be determined. In the average run of banks, I doubt if it will be sufficient to offset this loss.

PERSONAL loan costs have shown some interesting ratios in relation to the income that is earned on these loans. Generally, it may be said that it will cost 5 to 6½ per cent of our average net loans outstanding to invest, service and collect personal loans, and that, individually, it will cost from about \$8 to \$12 to handle such a loan with its 12 payments. This means that as long as we were making automobile and similar loans in this department we were able to keep our average loan fairly well up, usually quite a bit above \$200. Discounting 6 per cent in advance, it would require a loan of \$135 to \$200 before the interest income pays the cost of the loan. Strictly personal loans would tend to be much smaller in amount, individually; hence we must watch that our loans do not get so small that they absorb all the income we receive on them, or develop a new basis for handling them.

On the other side we are facing a rapid increase in commercial deposits for which we may have no use other than investment in United States securities at a low rate of income. At the same time we shall be called upon to handle rapidly increasing activity and the rendering of more and more service. All of this seems to point to an increase in service charges.

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## "A Marked Shrinkage"

*The over-all contraction of consumer loans between November 1, 1941 and April 30, 1942 was 21 per cent, according to a survey by the Consumer Credit Department of the American Bankers Association, based upon a number of different studies, including the United States Department of Commerce estimates.*

*Automobile loans within this period were reduced 27 per cent; FHA Title I, 18 per cent; appliance financing, 14 per cent; and cash lending, 22 per cent.*

*Automobile loans, at their present rate of retraction, are being reduced 10 per cent a month, according to the survey.*

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These conditions mean we must use every effort to operate efficiently and more efficiently. We shall probably have to eliminate unnecessary services, and in addition adjust unprofitable services to a profitable basis. This requires the broader recognition of our costs of operations.

Item costs, as they are broken down to the different types of items and units handled in checking accounts, are tending downward for each unit handled and probably will continue to do so. This is brought about by constantly increasing activity, giving us more units to spread our costs over, and the constant application of mechanical equipment in handling this activity. However, it is my estimate that despite the decrease in unit or item costs our total expenses will probably increase faster than our income increases. It is not hard to see this should normally result in increased collection of service charges.

MANY existing plans for the analysis of accounts do not plug the gap they were intended to plug, that is, many of them do not fully recover costs while others merely recover costs and trade dollars without a profit. If this is the case in your bank, it is earnestly recommended that you review the situation and set up your plan of service charges so as to produce a reasonable profit.

This profit may be brought about by the use of a reserve deduction in excess of that actually existing. Normally, however, this deduction, even when high, many times fails to care for all of our uninvested money, so in a great many cases the possibility of further adjustment here is somewhat remote.

Another source for the handling of the profit factor is by reducing the rate of income credit allowed in analysis. This, we believe, should not exceed 2 per cent, and in many cases, after we deduct the cost of investing



and managing our funds from the income we receive, it would not do much more than care for this, if held at the 2 per cent rate. This rate is, of course, applied to the available balance of an account, which is the average ledger balance, less float and reserve.

The third point for this profit factor is to set our charge for items at the "selling price" rather than at our "cost," and this selling price may very properly be 50 per cent above our cost. This is one source of possible profit we have available for use. A number of the outstanding committees of the American Bankers Association and state bankers associations have recommended the complete analysis of *all* accounts on a basis providing for a profit, contending that a bank can then tell its customers it is a "one price" bank, treating all depositors, large or small, on identically the same basis.

The cashing of checks for defense workers and the increase in this item for employees not in defense is, and increasingly will continue to be, putting a strain on banks at a time when they are losing their qualified help and replacing them with new help. This service is costly to supply and this cost will increase because of not fully experienced help who will not be able to handle the volume previously handled.

**I**N ADDITION, banks are faced for the first time in many years with the necessity of competing with industry for help.

Banks will have less of their net operating income left after the payment of income taxes and if a bank has not absorbed its known losses and provided for possible losses, they will have to dip into previous accumulated profits, which on the average have not been too good, to care for these losses.

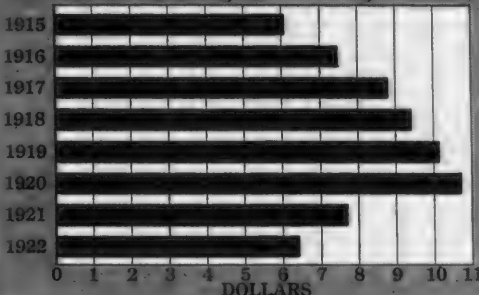
Earnings of trust departments have never been large enough to talk about, and in the majority of cases have not existed. With the low income now earned on trust funds and the shrinkage in the size of estates, the future does not look too bright. This will necessitate a change in the basis of handling voluntary trusts and agencies which have been very much in the red for many years past.

Interest paid on savings will have to be set to permit a reasonable profit in this department. The average commercial bank cannot pay over 1 per cent today and earn a sound profit and many are showing a weakening of their earnings even at this rate.

**A** QUESTION that is constantly coming up recently is what to do about excess savings activity, particularly in the form of withdrawals. Studies have consistently shown that a substantial part of withdrawals in savings accounts are in accounts with balances of less than \$100 or even \$50, whose average life is a year and a half or two years. These accounts are really modified checking accounts on which we are paying interest. As a result of these studies a number of banks have set up plans restricting withdrawal activity in savings and have started to charge for excess activity of this type.

Here is a suggested plan: Instead of opening up a regular ledger card and regular pass book for every new account with a balance of less than \$100, we give the depositor a single cardboard sheet, folded over, in which

#### NET PROFITS EARNED PER \$100 OF TOTAL CAPITAL ACCOUNTS OF NATIONAL BANKS, BY YEARS, 1915-22



Here is a rough comparison of bank earnings for the period covering World War I, above, and through 1941 for World War II, below

#### NET PROFITS EARNED PER \$100 OF TOTAL CAPITAL ACCOUNTS OF INSURED COMMERCIAL BANKS, BY YEARS, 1938-41



the increase of this account is posted. You explain that no interest will be paid on this account until its balance reaches \$50 or \$100, at which time a regular pass book and ledger card are substituted, and it then proceeds as a normal account. Until this has been accomplished no withdrawals are permitted and if the account is closed before this balance is reached, a charge of \$1 is made.

**I**N ADDITION, the activity in accounts that pass this balance should be restricted, and it might be well to allow, without charge, one withdrawal for each \$100 of balance during this period, and a charge of 15, 20 or 25 cents for excess withdrawals, and restricting a depositor to six withdrawals per half year. The application of this plan does not produce much in the way of income but it does materially restrict activity.

A number of banks in recent years have established service charges on Christmas Club accounts; some charge when the account is opened and others charge if it is not completed or a given number of payments made; while others charge both at the opening and upon failure to complete. This charge is usually 50 cents to \$1. It will take about a 75-cent charge to pay the cost of handling a club.

To my mind it appears very definite that this next year or two will show a decided increase in service charges collected, even by banks which have plugged all their leakages up to now; and this will be necessary if we are to maintain a reasonable earning power, out of which we shall have to provide reserves to take care of the contingencies we may face following our successful completion of this war.



# A WARTIME INVESTMENT

E. SHERMAN ADAMS

*The author is an investment officer in a large bank. He writes frequently for BANKING.*

**T**o the members of the board of directors: Today I should like to present for your consideration a discussion of the Treasury's war financing and its implications for the investment policies of this bank.

During the past few months the general outlines of the Government's financing program have gradually been taking shape. The main features which relate to the matter of bank investment policy appear to be about as follows:

1. While taxes of corporations and individuals in the middle and upper income groups will be very high, it is the lower income group which benefits most from war expenditures. The increased taxes paid by this group will not equal any appreciable proportion of the additional income it receives. For this reason a large part of the cost of the war will be financed by borrowing.

2. The banking system will be called upon to supply most of these funds, despite efforts to sell securities as far as possible to investors other than banks. Even if some form of compulsory savings should eventually be adopted, the picture would probably not be altered very much. During the fiscal year ending June 1943 commercial banks will be expected to absorb somewhere around \$30 billion of Treasury securities. If the war continues, the amount for the subsequent 12 months will doubtless be larger.

3. The securities to be offered to the banks will include a substantial volume of very short maturities. During the past four months the Treasury has greatly increased the amount of its outstanding bills and issued sizable offerings of certificates of indebtedness.

4. Other securities to be sold to banks will consist largely, perhaps entirely, of notes and bonds maturing up to 10 or perhaps 12 years. Banks may frequently be given a choice of several maturities. There has been some talk of offering serial issues and requiring a subscriber to take a complete strip of the various maturities.

5. The Treasury apparently does not intend to pay more than  $2\frac{1}{2}$  per cent for long term borrowing. This maximum rate can probably be maintained for a considerable period without much difficulty. The Federal Reserve Board has established a buying rate of  $\frac{3}{8}$  of 1 per cent for Treasury bills. This rate may remain in effect throughout the war or may eventually be raised somewhat. It may be that the Treasury would be willing to see some further rise in yields for short and medium term maturities.

6. The Treasury will naturally wish to have the

government securities market remain stable and orderly. During recent months the Federal Reserve System has been developing an active and flexible program of open market operations to achieve these objectives. Presumably this policy will be continued for the duration.

7. The Federal Reserve Board doubtless plans to keep the banking system supplied with a reasonable amount of excess reserves. The Board would probably like to see excess reserves somewhere between one and two billion dollars. The two chief methods of replenishing excess reserves will be reductions in reserve requirements and purchases of securities by the Federal Reserve banks. The Board recently obtained from Congress power to exercise greater discretion in setting reserve requirements of various classes of banks.

There is, of course, no question whatever of the Treasury's ability to obtain the funds it requires. If the measures summarized above should prove to be inadequate, there would be little hesitation about the adoption of additional means to insure the success of the Treasury's financing.

Some persons seem to think that the Treasury may need to resort to forced sales of its securities to banks, as was done during the last war. Certainly there is no reason to assume that this will be unavoidable. Mutual cooperation among the banks, the Federal Reserve System and the Treasury should make rigid controls unnecessary.

**I**T seems clear that the monetary authorities in Washington have been trying to adapt their policies to the requirements of the banks. A Federal Reserve official recently stated that the war financing program would be developed with a view toward preserving and strengthening the banking system.

Bankers, on their part, have been subscribing heavily to new Treasury offerings. Most bankers realize that they must add substantially to their government portfolios. In the aggregate the small and medium sized banks possess a very great part of the total buying power of the banking system. It is becoming more and more clear that even the smallest bank should pull its oar in the boat.

For many years we have decided the investment policies of our bank by considering simply our obligations to our depositors, to our community and to our stockholders. These fundamental obligations are not a whit diminished by the fact that banks must undertake a major part of the war financing. We should be able to take on our fair share of additional Treasury securities without in any way failing to discharge properly our local responsibilities.

We cannot say in advance how many additional securities we should plan to acquire during the coming year. That will depend largely upon what happens to our cash position. The more our loans decline and the more our deposits increase, the larger the amount of

# REPORT TO DIRECTORS



cash we will have to be invested in Treasury issues.

During recent years we have become accustomed to operating with a very comfortable cash position. We have not been eager to buy additional medium and long term bonds at high premiums as long as our earnings remained at a fairly satisfactory level. Yields on short maturities were so low that there was little incentive to invest all of our excess funds in these securities. Some of us felt it was better to hold cash which would be available for investment in the event of a sharp break in the market.

**B**UT in wartime we should adopt a very different attitude with respect to our cash position. It is apparent that we could add to our holdings of short term securities right now without in any way impairing our liquidity. We should now think of liquidity in terms of cash plus short term governments.

Most of the members of this board can remember when practically all of our loans carried a 6 per cent rate or higher and when we purchased prime bonds to yield over 4 per cent. But times have changed. Today yields on Treasury obligations range from  $\frac{3}{8}$  of 1 per cent on 90-day bills to about 2 per cent on 10-year bonds. Some of us may think that rates should be higher. Perhaps they should. But that would not be a good reason for refraining from investing surplus funds in issues of this kind when our country is at war and funds are needed to finance our fight for freedom.

Moreover, if we were to invest part of our surplus cash in short term Treasury issues, we could confidently plan to hold these securities until they mature. Therefore, although the return would admittedly be low, the risk of loss would be practically zero. Also, in view of the probable stability of the bond market during wartime, there seems to be little point today in holding cash for a possible sharp decline in prices.

At the present time 30 per cent of our resources consist of cash. Under existing conditions, I think that we should aim toward having 20 per cent in cash and due from banks and putting the difference mostly in short term Treasury obligations.

**A**s long as the war continues, the trend of our deposits is very likely to remain upward. Deposits in the banking system as a whole will increase sharply because of purchases of government securities by the banks. We will probably receive our share of these newly created deposits. The rate of growth of our deposits during the past five or six years has been roughly parallel with the rate of growth for all banks. During wartime new deposits will probably concentrate somewhat in industrial centers. While our community can hardly be classed as a defense area, several local manufacturers do have war contracts and total payrolls are higher now than in 1929. Our deposits will also benefit from the rising incomes of farmers in this section.

What should we do with additional deposits received during the war? Should they be invested only in Treasury bills? Or can part of them be regarded as fairly permanent deposits? To answer these questions we obviously need to consider what may happen after the war.

For at least several years after the war, deposits for the banking system as a whole will in all probability remain high. A substantial reduction is likely to occur only as a result of a large reduction in the national debt. The deposits of individual banks, of course, may be subject to wide fluctuations. If we were located in a war boom town or an area dominated by a single type of economic activity, we would probably decide to invest additional deposits only in very short term Treasury paper. But the territory we serve is reasonably well diversified. I do not think we need to be ultra-conservative in selecting Treasury issues for the investment of additional deposits.

**T**HE best solution, in my judgment, is to have most of our investments, aside from Treasury bills and certificates, comprise a list of evenly staggered maturities over a definite period of years. We are all familiar with the advantages of a spaced maturity set-up under normal conditions. Today the arguments for such a program are stronger than ever for the following reasons:

1. Because the volume of our investments will probably increase rapidly;
2. Because we will be operating with less cash than in recent years;
3. Because we cannot foresee the trend of our deposits after the war;
4. Because the demand for local loans may revive, we hope, during the post-war period; and
5. Because bond prices are now at record high levels and it is impossible to say what will happen to them after the war.

Over how long a period should we spread our maturities? In view of our strong financial position and the relatively stable character of our deposits, I think we would be justified in spreading our investments over a 10-year period for the present. Also, in view of the comparatively small volume of our loans and their declining trend, it seems to me that we can retain our moderate commitment in longer terms issues at the moment.

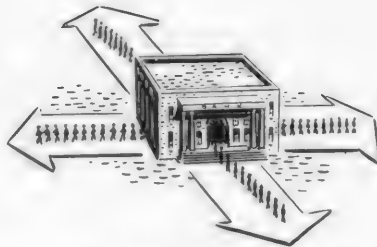
However, if our investments increase substantially during the next six months or a year, we may wish to reduce our long term holdings and concentrate our purchases in issues due within five years. We must be careful to avoid acquiring too many medium and long term bonds in relation to our capital.

(CONTINUED ON PAGE 64)

# He's In the Army Now!.....



1. One hears of many bankers entering the ranks of America's armed forces. You, no doubt, know several who have moved from the atmosphere of money and credit to buckle down for Uncle Sam



2. You may know where your friends went; what in particular they are doing, but have you wondered what some of the others are doing?



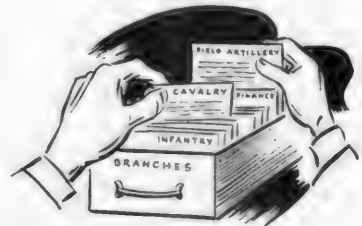
3. Follow through the processing of Pvt. Johnny Smith from the induction station to the training center. Let us say he has been found physically fit and has been sworn in



4. Johnny enters the induction station for fingerprinting and various recording processes. Indiscreetly, he asks a question of the man who is asking him questions in the classifications section



5. "You handle those forms in an expert manner, sir. What did you use to do?"



6. "I worked in the bookkeeping department of the First National Bank." The quick smile faded and back to the job of routing America's manhood to the proper place in the Army organization went the man



7. The next time Johnny whistled through his teeth was while he was taking the Army general classification test, commonly known as the "I.Q."



8. Johnny couldn't help noticing the fellow on his right. The fellow was marking answers at a terrific clip



9. Cornering him afterwards, Johnny found that he was a bank teller. Officer material, no less, thinks Johnny





10. Johnny was collecting bankers. His next encounter came during the mechanical aptitude test



11. His next door neighbor just sat there with a puzzled look on his face. Mechanical aptitude was something this fellow had very little of, having been the cashier of a small bank



12. Frankly, Johnny began to wonder about the draft boards. Were they having a special bankers' lottery? Anyway there seemed to be a hell of a lot of bankers around



13. Johnny's prize experience came during his first morning at the replacement training center



14. While eating breakfast he noticed a portly looking individual peeling 'potatoes



15. Sure, you guessed it. He turned out to be the V. P. of a large bank



16. Mail call comes at 11:30 A.M. in the Army. Johnny could see that the folks on the home front hadn't forgotten



17. He couldn't help noticing the return address on several envelopes: This-and-That Bank, Such-and-Such a Bank. He couldn't help noticing the smiles of satisfaction on the faces of the recipients



18. Then Johnny got his letter. It was from the girl who took his job when he left. Johnny's girl

For Johnny WAS a page boy  
In an All-American bank.  
NOW Johnny is a doughboy —  
He's that famous, fighting Yank.

# How's Your Production?

WILLIAM POWERS



"... the next three points ... on the personnel yardstick"



"... your department manager gives consideration ..."



"Errors have ... far-reaching effects in banking"

*Mr. POWERS' series of articles, directed primarily to the new members of bank staffs, started in the June issue of BANKING. In subsequent numbers he is discussing the various personal elements that make a banker. Of the 10 marks on his measuring stick, he has already talked about "appearance" and "personality." In this issue he goes on with the analysis, taking up the next three points, "industry, speed and accuracy." Mr. POWERS is director of customer relations, American Bankers Association.*

**H**ELLO again, Junior Banker. Pull up a chair and make yourself comfortable. This session may get a little heavy in spots for we'll have to cut down on conversation and stick to straight presentation.

So sit back and listen while I cover the next three points—industry, speed and accuracy—on the personnel yardstick we've been talking about.

**Industry.** Under this heading in our rating scheme your department manager or the officer in charge of the staff gives consideration to such points as: effort, dependability, diligence, application, and thoroughness. The grades by which he designates your standing as an industrious person are common-sense steps defined by simple words the meanings of which you and I learned years ago, long before we ever knew that there was a banking business.

The first and lowest step is labeled "lazy." One does not necessarily have to be physically slow or sleepy to merit such a rating. Actually, some lazy people move faster and work harder than others who are considered industrious. The big difference between the two groups is that those in the first group are moving fast but away from the work they should be doing and they are working hard but at getting out from under the job they should be performing. They expend a lot of fussy energy that accomplishes nothing. An alert personnel officer isn't fooled by demonstrations of that nature. To his way of thinking, such perverted energy is positive proof that the expender is just plain lazy.

**A**NOTHER evidence of laziness is lack of neatness in work performance. A painter who spots the floor while he paints the ceiling is lazy. A plumber who damages paintwork while he fixes a faucet is lazy. A carpenter who mars the wood when he drives a nail is lazy. And a banker who makes sloppy records or who leaves a lot of loose ends for others to tie up after him is lazy too. He'll get by perhaps, but he won't get along. Laziness is a poor foundation upon which to attempt the building of a career.

The next lowest step in grading industry is best described by the words, "impatient" and "irresponsible." When a person cannot be relied upon to stick patiently to the tedious job (every position in the bank has some irksome element in it) until it is successfully completed or when he attempts to sidestep any part of his fair share of the work load, he discloses a trait which his manager uses as a sound basis on which to give the employee a low rating.

A step higher in the scale can be easily attained by showing a fair degree of well directed energy, concentrated primarily upon the specific duties assigned. Performing distasteful work (and we all have some of it) without impatience; finishing that and other assignments with neatness and dispatch; and displaying a receptive attitude toward additional assignments—these are the proofs upon which an intelligent personnel officer in a banking institution will accord a high rating on a staff member's industry.

**Speed.** There is more to this mark on the yardstick than meets the eye. Naturally, in grading a person's speed a personnel officer would consider the rapidity with which a given amount of work is accomplished and the promptness with which tasks are completed. In the page or messenger jobs the test would concern the length of time required to complete errands. In the proof, transit, and bookkeeping departments the test would be based, in part at least, upon the number of items or entries handled in a given period. In the tellers' cages the checkup on speed would concern itself with item and currency handling and with the volume of services rendered to customers. And so on, all through the bank the test would be applied on varying bases, depending upon the nature of the work involved.

**GENERALLY** speaking, the grading of an employee's speed in mechanical operations is expressed in such terms as, "unsatisfactory output," "average production," "better than average production," and "exceptional production." This series of four steps from bottom to top rating is self-explanatory and needs no elaboration here insofar as its application to manual speed is concerned. However, it would be well for you to bear in mind that mental alertness and agility must be taken into consideration. If you are mentally agile and quickly grasp the full significance of the work instructions that are to be followed, it stands to reason that tasks will be performed in an intelligent and expeditious manner and you will stand a better chance of a fairly high speed rating.

**Accuracy.** Here is another element that has two sides—the physical and the mental. The care and exactness with which you execute your assignments, and the extent to which your work is free from errors, determine to a large degree the personnel officer's conclusions concerning the accuracy rating to be accorded you. If your work is done in slovenly fashion and errors are frequent or numerous, you will not only be graded down but may be dressed down, particularly if after sufficient training you show no improvement in the error record.

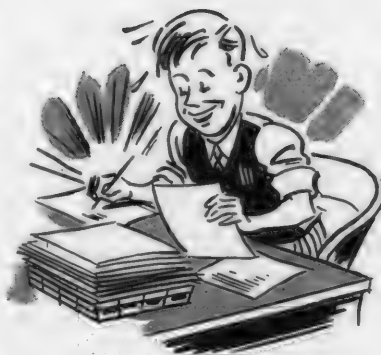
Errors have more far-reaching effects in banking than they have in most other lines of business. An error in sorting, listing, posting, or (especially) cashing items, although made by only one person, may cause many people a great deal of inconvenience and a loss of effort, time, and possibly money. The banking business leans very heavily for support on public confidence, and meticulous accuracy in the handling of people's financial affairs is vitally necessary in maintaining the public trust on which our banking welfare so largely depends.

**THE** grading steps in the rating system, under the heading of accuracy, move up from "many errors, slovenly work," to "inexact, somewhat careless," to "moderately accurate," to "very careful and accurate," and to the top rating "exceptionally accurate." You, Junior Banker, should form the habit, early in your banking career, of striving for nothing less than the highest or at least the second highest grading.

Too much emphasis cannot be placed on the accuracy element in our make-up. It is all-important in every phase of banking life. Speed might very well be sacrificed on occasion but accuracy, never. It should be remembered, too, that accuracy is two-sided. It is not only essential that bank staff members be most accurate in the physical performance of their duties; it is just as essential that employees' mental operations be accurate.

This may sound a bit far-fetched, but it is actually true. Behind many of the figures and items in daily bank routine lie complicated interests of various individuals, and these interests must be properly safeguarded by accurate thinking on the part of the employee entrusted with the responsibility of intelligently representing the bank in handling the transactions.

There you are, Junior Banker. During the next few weeks try testing yourself on the five rating points we have talked over thus far. I'll be seeing you again soon.



"... well-directed energy, concentrated primarily upon the specific duties assigned"



"... perverted energy is positive proof that the expender is just plain lazy"



"... meticulous accuracy in the handling of people's financial affairs is vitally necessary in maintaining the public trust on which our banking welfare so largely depends"

# Trends in Wartime Advertising

**P**RESENT-DAY bank advertising is closely tied to the job of winning the war. War Bonds undoubtedly provide the favorite copy theme, particularly in newspaper ads, but the banks also are emphasizing many other important stories. Curtailed instalment credit,

services for men in the armed forces and for war industry workers, the food-raising program—these are a few of the subjects covered. The portions of recent bank ads here printed are samples of what's being done throughout the country.



Until 9 P.M. this evening (and every Monday evening) the Society for Savings is open to sell the War Bonds and stamps to the public.

Society for Savings, Cleveland, announces its policy of remaining open one evening a week for the convenience of war workers

Central Bank, Oakland, California, combines the story of how dollars help win the war in an ad featuring its statement



## FARMERS... YOU CAN BORROW For War-time Production

If you need money to improve your production of food and other essential supplies to help Canada's war effort, you are invited to discuss your needs with our nearest branch manager, who will treat your business as strictly confidential

Supplying credit to farmers for constructive purposes is traditional with the Bank of Montreal, which since 1817 has co-operated with all Canadian industry, including agriculture. Our branch managers understand the

Across the border, Bank of Montreal calls upon the farmers to borrow to speed their wartime production of essential foodstuffs

First National Bank in St. Louis offers war production industries its loan facilities to increase essential working capital

## How Your Dollars Are Helping America At War!



### Resources

Capital and Reserve Funds	\$16,800,000.00
Reserves (as set by the Board of Directors)	
United States Government Obligations	\$ 1,111,215.19
State, County and Municipal Obligations	1,000,000.00
Other Loans	11,128,325.58
<b>Total Resources</b>	<b>\$18,939,540.77</b>
Other Property, Administration Loans	
United Real Estate Loans	\$ 1,742,255.19
Other Loans and Discounts	32,345,714.46
<b>Total Resources</b>	<b>34,088,009.65</b>
Assets and Liabilities and Net Worth	
Bank Deposits, Notes, and Other Liabilities	189,100.76
Other Assets	2,250,344.35
<b>Total Assets</b>	<b>2,439,445.11</b>
<b>Total Resources</b>	<b>\$18,939,540.77</b>

### Liabilities

Deposits	\$18,939,540.77
Notes and Other Liabilities	\$1,742,255.19
Other Assets	2,250,344.35
<b>Total Liabilities</b>	<b>2,439,445.11</b>

**MANY MILLIONS** of the dollars you and your neighbors have placed with Central Bank are now at work speeding America's victory. These dollars flow to manufacturers and producers and prime contractors down through suppliers and subcontractors to individual workers and into the channels of trade. Hence, beside working for America, these dollars are also working to make the regions served by Central Bank better places to work and live after the war is over. It is impossible to mention them all, but here are some of the major classifications in which these funds are busy.

**SHIPS.** Central Bank is heavily engaged in financing the building of large cargo ships to transport food and armaments abroad.

**CONSTRUCTION.** Many contractors building housing for soldiers, facilities for ports, and other heavy construction have turned to Central Bank for financing, found ready understanding and prompt response to their requirements.

**FOOD PROCESSING.** The processing of food has always been a major industry in the regions served by Central Bank. Now this important industry has taken on new significance, vastly increased in volume, to meet the demands of the United Nations. Your dollars placed with Central Bank have supplied important help. The same is also true of loans to farmers to improve their production and increase the yields of "Food for Freedom."

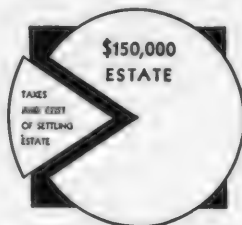
**DEFENSE HOUSING.** Funds supplied through Central Bank have financed construction of one large

## COMMODITY LOANS To Provide Business Concerns With Additional Working Capital

Commodity loans secured by field warehouse receipts have been found highly advantageous by many business concerns in need of additional working capital. This is particularly true under the present "All Out" War Program.

Practically any inventory, consisting of readily marketable commodities, represents potential collateral for a loan through the modern Field Warehousing Plan. All types of canned goods, liquors, grains, clothing, shoes, steel and iron, automobiles and its products, lumber, and much more are only a few





### Ask an underwriter about this

THIS CHART shows how much of a \$150,000 estate must be paid out for federal and state taxes and other estate settlement costs. The shrinkage shown does not include debts which usually make the shrinkage much larger.

To raise the cash to pay these expenses, your estate may have to sell property worth more

than the amount of the expenses. The result may be disastrous for your family.

☆☆☆

Prevent it by buying life insurance to provide the cash. Every dollar that you pay for the insurance may save several dollars for your family. Ask your life underwriter about this today.

#### Trust Department

**UNION PLANTERS  
NATIONAL  
BANK & TRUST CO.**  
and BRANCHES  
MEMPHIS, TENNESSEE

Union Planters National Bank & Trust Company, Memphis, Tennessee, emphasizes the value of expert trust services in settling estates in view of increased taxes and court costs

Marine Trust Company of Buffalo, New York, offers to manage the financial affairs of service men at a nominal cost

★★★★★★★★★★★★★★★★★★★★

## TO MEN JOINING THE ARMED FORCES OF OUR COUNTRY

OUR Trust Department stands ready and is fully equipped to handle your financial affairs while you are absent from the city. You can arrange with us for a very complete service, including, among other things, the holding of your securities, collection of income, the purchasing and selling of securities and the payment of life insurance premiums, real estate taxes and other similar items.

To those interested, we suggest calling at our office and discussing your problem with one of our Trust officers. Our fees are moderate.

## Are Instalment Purchases "OUT" for the Duration?

**NO INDEED**—the new Federal Regulation W does not prohibit you from making instalment purchases. On the contrary, buying useful articles "on time" is still possible—and with full government approval.

The purpose of Regulation W was not to deny you the privilege of making sound, sensible purchases on instalment terms, but rather to curtail needless purchases, especially of merchandise using vital war materials . . . to encourage thrift . . . and to help prevent inflation by keeping down the cost of living.

The government believes these aims can be accomplished without denying credit-worthy individuals the advantages of instalment buying. Therefore, you can still finance the purchase of a used car (or new one if you have a priority rating), repairs or improvements on your home, and such home appliances and equipment as are still available.

#### Here are the terms established by the new regulations:

**Household Appliances and Equipment:** (Such as refrigerators, washing machines, heating equipment.) One-third down. Balance payable in 12 (or less) monthly instalments.

**Home Repairs, Improvements, or Modernization:** Materials or services up to \$1500 can be purchased without a down payment.\* Full amount payable in 12 (or less) monthly instalments. (Non-residential improvements are not affected by Regulation W.)

**Automobiles:** One-third down. Balance payable in 15 (or less) monthly instalments.

**Furniture:** One-fifth down. Balance payable in 12 (or less) monthly instalments.

The Valley National Bank will continue to offer instalment financing at its own low rates, and under as liberal terms as the new regulations permit. If you have any questions about convenient, low-cost Valley Bank financing—or about Regulation W—stop in at any of our offices.

\*Except when the work requires any "listed article". Your builder or contractor can give you full information on this point.

**VALLEY NATIONAL BANK**



Valley National Bank of Arizona tells its customers how to borrow for essential instalment purchases under the Federal Reserve Board's Regulation W, curtailing consumer buying

Third National Bank of Nashville, Tennessee, features its service flag in its appeal to customers to buy War Bonds



## BACK THEM UP!

Thirty-nine officers and employees of Third National Bank have temporarily left their jobs to serve in the armed forces of their country. Others soon will follow.

We are proud of them, and intend to back them up with everything we have. We here at home will continue to do our level best to help the cause in which they are playing a major role.

Our remaining officers and employees are buying war bonds on payroll deduction plan 100 per cent. The people of Nashville are buying them in ever-increasing quantities. Already Third National has sold approximately \$3,000,000.00 worth of bonds and stamps.

We know that a unified America will be victorious in this war. But victory will come only if everyone does his full part. Be glad you can BUY bonds instead of WEAR them!

# Food-for-Freedom Loans

FRANCIS KUTISH AND ROBERT W. WILCOX

*Last March the authors, as part of their land-use planning work as members of the Iowa State College of Agriculture staff, interviewed 300 farmers in small community discussion groups to learn their problems. This article is an outgrowth of that survey.*

RURAL banks have an excellent opportunity to exercise a telling influence in bringing about increased production of farm products essential to the war effort. Far-sighted bankers, through the proper approach to their clients, find themselves in a key position both to initiate and speed some of the needed changes in farming operations which are necessary to bring about these increases.

The call for farmers to feed their hogs to heavier weights in order to supply more fats presents a case in point. The price relationship between hogs and feed is much more favorable to hog production than it was a year ago. Price discounts existing then on heavy hogs have virtually disappeared. Yet farmers are sending their hogs to market at approximately the same weights as last year, although it would be definitely profitable for them to feed their hogs to weights of 300 pounds or more and at the same time would help supply some much needed meat and fat.

SUGGESTIONS from bankers could do much in bringing about feeding to heavier weights. One Iowa banker did just that. He learned that a client was about to sell hogs because his feed was low. He pointed out the tremendous contribution farmers can make by marketing hogs at heavier weights and finally suggested that the farmer borrow some money and buy feed to feed his hogs to heavier weights. The farmer followed this advice and borrowed the money. As a result he produced more pork and lard and not only made more money, but also made a definite contribution to the war effort. That banker played as great a part in making this contribution as did the farmer!

Visits with more than 300 Iowa farmers last Spring relative to their wartime production problems reveal that many farmers have increased livestock production so much that feed production on their farms, plus present feed supplies, will not be sufficient to place this livestock production in the most desirous market condition. In fact, many farmers will encounter a feed shortage before the next crop is harvested.

In order to make the greatest contribution to the war effort, these farmers must turn to purchased feed. This feed is available, yet many farmers interviewed gave no indication that they would purchase the needed feed. More indicated they would not borrow money to buy it.

It is not that these men are poor credit risks; rather, they are in the habit of using only the feed they raise and no more.

---

*Rural bankers do have a contribution to make toward winning the war. By directing credit into channels that will bring about increased output of products especially needed for the war effort, well informed bankers can be of real service to the farmer as well as the country as a whole. The challenge is there. The opportunities for service are great.*

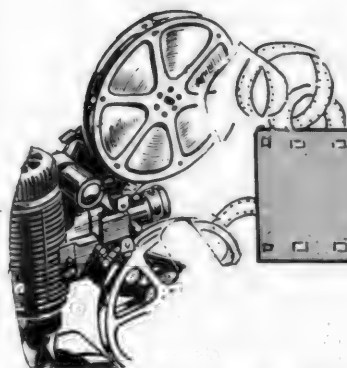
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The problem is made more difficult because this type of farmer has not been a borrower from the bank, nor is the banker accustomed to dealing with him. Such a farmer's credit requirements will not be great and ordinarily his collateral will be more than ample for the type of loan he needs. Moreover, in this war the Government has gone much further and taken much more effective action against declines in farm prices than in the last war. This makes it safer for the farmers to use credit in expanding production, as well as safer for the credit agency extending it to him. The credit agency has a further protection. Farmers are more restricted in what they may spend their money for than they have been in the past. Accordingly, the credit agency really has two protections: (1) protection against price declines of the product farmers sell, and (2) protection against the farmer spending his income for consumption goods.

THE Government has assured farmers of a minimum price equal to at least 85 per cent of parity on commodities designated by the Secretary of Agriculture as requiring encouragement. At present these commodities include: hogs, eggs, evaporated milk, dry skim milk, cheese, chickens, dry edible beans, as well as peanuts, soybeans, and flax seed for oil. In addition, 85 per cent of parity loans are offered on cotton, corn, wheat, flax, tobacco, and edible peanuts. These minimum price guarantees are expressed in terms of parity prices, which are, of course, a variable, and will rise and fall with industrial prices. Even more important, the law relating to price guarantees provides that the guarantees are to be continued until producers have sufficient time to make readjustments in production of the commodity. It says nothing, however, about continuing them longer than that. The farmer will be given a chance to readjust his production before price supports are removed.

A banker who knows the need for agricultural production and the commodities for which the call is most urgent will be doing a service to his community and country by helping in every way he can to bring about the shift in production which should occur in his territory.

Credit of this type will not only be a contribution to the war effort against external enemies, but also against that worst internal enemy we have—inflation.



## Dollars in Uniform

**A**n up-to-the-minute film, produced by the Savings Banks Association of New York State, brings home the vital necessity of regular thrift habits as an aid to winning the war. From the opening scene, laid in a modern savings bank, to its dramatic close, "Your Dollars—in Uniform" gives a stirring account of dollars at work as savings deposits. It illustrates how savings serve depositor and nation in time of peace, and why savings out of income are essential to the war program. Under the direction of the association's Committee on Public Information, bookings are arranged to give the strongest possible impetus to the war savings program and to identify the position of the mutual savings banks in the current campaign. Here are stills from the film.



"The wisdom of regular savings every payday is pure horse-sense now. . . . Savings banks are cooperating wholeheartedly in the construction of war homes for war workers"



August 1942



"It costs money to build planes—and Uncle Sam has only the money each and every one of us supply"



"These broad highways will 'keep 'em rolling' until the biggest of all jobs is done. . . . Our dollars in uniform represent our personal security by representing our national security"





The Grand Rapids A.I.B. girls prove their versatility—above, left, cyclists enjoying an all-sports party. . . . They study, too—Commercial Law is the subject, above, right, which the girls find neither too dry nor too difficult under Attorney Stanley Cheff

## Dear BANKING

A TATTLE-TALE known as *Chapter Chatter* revealed to BANKING last October, a couple of months before Pearl Harbor Sunday, that the Women's Committee of Grand Rapids Chapter of the American Institute of Banking was planning a diversified program. Like all A.I.B. chapter activities, the program of this group shows the trend from peace to war influences.

A query from BANKING to the chairman of the Women's Committee—Miss Anne H. Vroom, of Peoples

National Bank—brought word that she had "a flair for photography" and that she would send pictures from every one of her committee's projects.

The results of Miss Vroom's handiwork—and chairmanship—are shown on these pages. This record indicates that in Grand Rapids there is never a dull moment for the A.I.B. girls.

The chapter has 228 members, 74 of whom are women. Of the 110 1941-42 class enrollees, 39 were women.



The strategy-making Women's Committee, above, left. Seated, Misses Christenson, Thorpe, Vroom, Kenyon, Chering and Koets; standing, Misses Medlin, Kribbe and Creagan. The results, as shown here, speak for themselves. . . . Miss Helen Thorpe, center, excels at golf—she's the chapter's annual golf tournament winner. . . . And like bankers everywhere, the Grand Rapids girls like to eat. Here they are, right, ready for the May breakfast

★ ★ ★ ★ ★

The Grand Rapids A.I.B.'ers now set the style—Miss Lucille Krem, left, and Miss Dorothea Kenyon, right, in their "Gay Nineties" costumes; Miss Blanche McGarry, left, center, modeling dinner pajamas at the Women's Committee Style Show and Dessert, and Miss Barbara Gauthier, right, center, modeling the street costume of a twin-ensemble—the sports pajamas to match were worn by Miss McGarry







In their spare time, the Grand Rapids A.I.B. girls help Uncle Sam. Above, left, Misses Bloem, DeCair and Preston, displaying some of their Red Cross handiwork. . . . These girls can hold their own at "debate," too—Miss Phil Medlin, center, proved it as the women's representative on the team that won from Chicago Chapter last February. . . . Two nights' work each week in Grand Rapids hospitals is the offering of Nurses Aides Miller, Krem and Thorpe



Social activities do not overshadow class room instruction in Grand Rapids. A.I.B.'ers here consistently work for Standard Certificates. At left, the women outnumber the men in the Accounting class, instructed by Thomas Murphy

★

"All work and no play makes Sallie a dull girl," says the Grand Rapids Women's Committee . . . so a group of the girls go picnicking



Patriotism runs high in Grand Rapids Chapter. At a patriotic party, left, a group enacts in pantomime "The Signing of the Declaration of Independence"—participating, Misses Ghering, Newell, Pell and Christenson

★

To the two women attaining the highest scholastic standing the Women's Committee makes annual awards of \$5 each. Miss Vroom, right, making presentations to Misses Behling, left, and Medlin, center



Some of the models at the Style Show and Dessert are shown on the opposite page. Here, left, below, are some of the on-lookers at this affair. . . . The Grand Rapids Women's Committee arranged a Christmas dinner at Cherie Inn; at right, below, are those attending



# War Bonds in Seven Wars



Continental bills

CULVER SERVICE

WAR financing in the United States started on so modest a scale that one wonders whether the old records aren't erroneous. The Second Continental Congress, on June 22, 1775, authorized a \$2,000,000 issue of bills of credit, first of a long series of paper dollar emissions that served as the chief means of financial supply. The disaster that overtook these bills still echoes today in the phrase "Not worth a Continental."

THE bills didn't go too poorly at first. But after the Declaration folks began to realize that the war would be long, and that, in the words of one writer, "the cost of liberty is something more than vigilance; it is a considerable percentage of the income of the people." Also, hard money, in response to economic law, began to disappear from circulation. Congress, remember, couldn't tax in those dear, dead days. But it had to do something besides issue bills, so on October 3, 1776 our first war loan was authorized. Under this act, \$5,000,000 in interest bearing certificates was eventually issued.

THE Revolution was also financed by foreign subsidies, by foreign loans, and by accommodations obtained through the efforts of the banker, Robert Morris.

In 1777 Congress negotiated a loan from the farmers general of France, the private collectors of the revenues. During the next five years the King of France loaned the young nation additional sums. After Yorktown our credit had a better standing abroad, particularly in Holland where various sums were raised.

To help finance the War of 1812 Congress was forced to float loans under par, but bonds sold during the Mexican War commanded premiums of 3 to 4 per cent.

Below, Robert Morris' account of his stewardship as Superintendent of Public Finance was addressed to the people because "the master should know what the servant has done"

Below, the signatures of Franklin and the Count of Vergennes to a loan contract between the King of France and the United States of North America on July 16, 1782

To the Inhabitants of the United States of America  
Fellow Citizens,  
That every servant should render an account of his stewardship in the various details of common sense, when the trust is important, the necessity is constant; and where it is confidential the duty is enhanced. The master should know what the servant has done. To the Citizens of the United States of America, this faithful statement of my account is respectfully submitted.  
On the twelfth day of February 1782, instructions were passed from the office of Finance, for the Government of the several Powers appointed on the 6th of September, and the act of Congress of the same day of November 1781

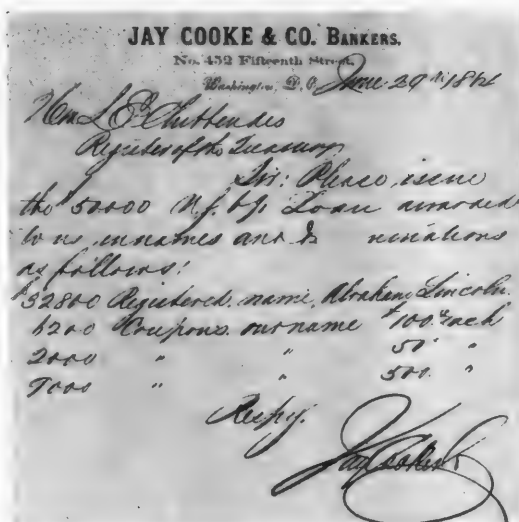
L'observation faite du présent Contrat, dont les Ratifications seront échangées dans l'espace de neuf mois à compter de ce jour ou plutôt s'il est possible. En foi de quoi Nous Nous-potentiaires soussignés de Sa Majesté Très Chrétienne et des Rois des Pays-Bas, Unis de l'Amérique septentrionale, en vertu de nos pouvoirs respectifs, avons signé ces présentes et y avons fait apposer le Cachet de nos Armes.  
Fait à Versailles le 22 Septembre 1782 jour du mois de septembre Mil sept cent quatre vingt deux.  
Charles de Vergennes, Franklin

EVERY reader of American financial history is familiar with the services rendered by Jay Cooke, the Philadelphia banker, during the Civil War. Cooke's campaign to sell the Washington Government's bonds to the public employed publicity and advertising methods comparable with the efforts of Liberty Loan days. It was also highly successful.

The Spanish-American War was partly financed by war loans that were substantially oversubscribed—as much as sevenfold—and were quickly quoted at premiums.

The Liberty Loan "drives" of World War I days are still vivid in the memories of bankers and others who participated in those fund-raising campaigns. The five loans brought \$22,000,000,000 into Uncle Sam's coffers.

Today bankers are working harder than ever to help Government finance the greatest of all wars.



Above, Jay Cooke requests the Register of the Treasury to issue \$50,000 in war bonds—\$32,800 in the name of Abraham Lincoln

Back in 1917-1918 there were war stamps as well as Liberty Bonds. Left, a booth of the Washington, D. C., Loan & Trust Company, at which War Savings Stamps were being sold. The man at the left is Eliot H. Thomson, now publicity manager of the bank. In the background is the Patent Office. The sign is a reminder that food was a weapon for freedom in those days, too

Early this Summer the Treasury conducted a door-to-door War Bond and Stamp pledge campaign in the Greater New York area. Preceding the drive was a monster Victory parade in which the banks were represented. Right, float of the New York State mutual savings banks



# THE STORY OF MONEY IN WAR!



BECAUSE OF THE SCARCITY OF METAL MONEY, DURING THE AMERICAN REVOLUTIONARY WAR, EVEN CHURCH-BELLS WERE MELTED INTO COINS!

CONGRESS OFTEN SOLICITED LOANS FROM GENERAL WASHINGTON TO HELP CARRY ON THE WAR. ON JAN. 15, 1776, THE GOVERNOR OF RHODE ISLAND SENT A QUANTITY OF BLANKETS WHICH HE HAD COLLECTED, TO WASHINGTON, AND SENT THE BILL WITH THEM!



IN 1781, THE AGENT OF VIRGINIA, WROTE GENERAL WASHINGTON THAT THE REVOLUTIONARY TROOPS WERE SO NAKED, THEY COULD NOT LEAVE THEIR QUARTERS! HE APPEALED TO WASHINGTON FOR MONEY TO CLOTHE THEM!

AFTER THE WAR OF INDEPENDENCE, THE CREDIT OF THE YOUNG REPUBLIC IMPROVED. A \$1,000,000 LOAN OFFERED IN AMSTERDAM, TO AID THE STRUGGLING COUNTRY, WAS FULLY SUBSCRIBED WITHIN TWO HOURS, IN 1791!

THIS WAS DESCRIBED AS "A CELERITY OF WHICH THERE HAD BEEN NO INSTANCE BEFORE IN THE LOANS OF ANY COUNTRY!"



AS IN WASHINGTON'S DAY, AGAIN, THE CAUSE IS FREEDOM! BUT, THE COST IS HIGHER! LET'S ALL BUY WAR SAVINGS BONDS REGULARLY AND THUS PERPETUATE OUR HARD-WON LIBERTIES!





# Geographical Protection for Bank Records ...with RECORDAK



**T**O secure maximum protection for irreplaceable records, many banks are sending Recordak-filmed copies of their files to vaults in other, distant banks. . . . Such reciprocal storage arrangements between banks in widely separated areas are becoming increasingly popular.

With Recordak, all of your files can be quickly and inexpensively "transferred" to tiny rolls of microfilm. These highly compact "master files on film" . . . reproducing with photographic accuracy every single item in your paper files . . . may then be stored in the vaults of a bank hun-

dreds, or even thousands, of miles away. Should the original documents be destroyed, the film records in their distant storage place remain unharmed.

Enthusiastically endorsed by banks and business institutions in England, this Recordak wartime precaution is being widely adopted in this country.

In these serious times, you owe it to your bank to investigate this simple, reliable safety measure. For complete details, write Recordak Corporation, Subsidiary of Eastman Kodak Company, 350 Madison Avenue, New York, N. Y.

*One of a series of*

## RECORDAK

*wartime safety contributions*

...THE...  
**PHILADELPHIA  
NATIONAL BANK**

**Organized 1803**

June 30, 1942

**RESOURCES**

Cash and due from Banks . . . . .	\$307,225,558.95
U. S. Government Securities . . . . .	253,334,072.02
State, County and Municipal Securities . . . . .	16,637,466.56
Other Securities . . . . .	41,972,969.87
Loans and Discounts . . . . .	91,187,776.38
Bank Buildings . . . . .	2,750,000.00
Accrued Interest Receivable . . . . .	1,631,674.53
Customers Liability Account of Acceptances . . . . .	687,747.38
	<hr/>
	\$715,427,265.69

**LIABILITIES**

Capital Stock . . . . .	\$14,000,000.00
Surplus and Net Profits . . . . .	32,789,008.57
Reserve for Contingencies . . . . .	3,079,394.59
Dividend (Payable July 1, 1942) . . . . .	875,000.00
Reserved for Taxes . . . . .	2,235,752.58
Unearned Discount and Accrued Interest . . . . .	270,525.56
Acceptances . . . . .	2,088,243.22
Deposits . . . . .	660,089,341.17
	<hr/>
	\$715,427,265.69

EVAN RANDOLPH, *President*

CHARLES P. BLINN, JR., *Executive Vice-President*

MEMBER OF THE FEDERAL DEPOSIT INSURANCE CORPORATION

**Philadelphia, Pa.**



# The LEGAL ANSWER PAGE



## Legal Forms—Style

*Is there a modern trend towards simplification and streamlining of legal forms?*

A PAMPHLET issued in 1941 by the New York Conference on Instalment Selling containing suggested standard forms to comply with New York instalment selling laws, stated:

Heretofore common complaints were that:

1. Many instalment contracts were too long, which discouraged customers from reading the contents;
2. Some were too short and consequently failed to inform the customer what might result from default; or
3. The legal phraseology was not understandable to the average instalment buyer;
4. In keeping with our recommendations, these forms are concise and, as far as possible, non-legalistic phraseology has been used.

Walter P. Armstrong, president of the American Bar Association, stated before the A.B.A. Mid-Winter Trust Conference in February 1942:

"Few legal documents are written in lean, limpid, concise English. Not infrequently the real intent must be painstakingly extracted from an overlying mass of jargon."

President Armstrong attributes this jargon to "sheer mental laziness" and to the feeling of safety in following language that has stood the test of litigation. He comments that if the language had been perfectly clear, there would have been no need for construction by a court. President Armstrong wrote in the *American Bar Association Journal* for February 1942 that:

"... we might eventually have a generation of lawyers who would write with clarity, precision and concision, and perhaps with distinction. Even now there are heralds of the dawn of a better day."

Compare with the above statements a chattel mortgage clause reading:

"... AND the said mortgagor, for himself, his heirs, executors, administrators and assigns, all and singular of the said goods and chattels above bargained and sold unto the said mortgagee, his, their, or its heirs, executors, administrators, successors and assigns, against the said mortgagor, and against all and every person or persons whomsoever, shall and will warrant and forever defend."

The use by banks of clear understandable legal forms should promote better public relations. The following suggestions can be considered:

1. Decide definitely what in substance each provision in the form should express and then say it clearly. Often when you have stated what in substance is wanted in the form, it is in practically final shape. Do not translate

common English language into formalistic legalisms. A bank after using a phrase for years asked what it meant. Some banks still use such a term as "without defalcation," although it has no present significance.

2. Conserve words. Avoid unnecessary synonyms. You are drafting a form, not writing Roget's "Thesaurus." Write and re-write until the material is concise. Watch such phrases as "It is hereby mutually agreed and understood by the parties that the bank may, at its option, accelerate maturity. . . ." You might say, "The bank may accelerate maturity," or to use simpler language, "The bank may declare the note due." An editorial in the *American Bar Association Journal* for February 1942 suggests that redundancy by lawyers had its origin in the payment to scribes of a penny a line.

3. Use type that is easily read. A Maryland statute requires certain forms to be printed in "good, clear readable" type, not less than eight-point. A New York statute also requires at least eight-point type for specified forms. This paragraph is a sample of eight-point type.

4. Use short lines, which may mean two columns instead of one.

5. Use numbered paragraphs, each with a heading indicating its contents.

6. Use special type, such as bold face or italics for emphasis of important material.

## *Soldiers' and Sailors' Civil Relief Act of 1940*

*Can a person in military service be sued? Can a judgment be obtained against him? Can a judgment be enforced?*

THE Soldiers' and Sailors' Civil Relief Act of 1940 does not bar the commencement of a suit against a person in military service, provided, of course, process can be served upon him. A suit can be prosecuted to judgment if the military service does not materially interfere with his ability to defend. A judgment can be enforced against him if the military service does not materially affect his ability to pay.

*May there be an advantage in starting suit against a person in military service although the prosecution to, or the enforcement of, judgment may be stayed?*

Yes, because the court may grant the stay under such conditions as will do justice to the plaintiff as well as to the defendant. Furthermore, a judgment is in general a lien on the judgment debtor's real property.

*Would the pending amendments to the relief act affect the above answers?*

While these amendments are drastic in many ways, they do not directly affect the above answers.

# First Aid in a Bank

FRANK J. KEELER

MR. KEELER, on the staff of the United States Trust Company in New York City for 20 years, has been "loaned" to the American Red Cross for organizing First Aid detachments and supervising training of groups in New York City. He is assistant to the director of First Aid Service, New York Chapter, A.R.C.

**T**HIRTY-TWO years ago, the American Red Cross introduced first aid training courses to meet the mounting list of accidents. If there was a realization of the need of this training at that time, it is obvious that present-day conditions present an urgent necessity for the continuation and expansion of this program.

Hundreds of thousands of people throughout the country, aware of the possibility of situations never before experienced, have received or are now receiving this training. This is particularly true of groups of employees of our business institutions, especially our banks. Through the years, the bank has been looked upon as a strong, prepared, place of safety. Today that includes the safety of bank employees as well as customers. Having a trained employee group within the bank assures immediate care to an accident victim or to one seized with sudden illness. It promotes a feeling of preparedness and increases the morale not only of employees but other persons entering the bank's doors.

First aid classes are conducted either by physicians or laymen who have satisfactorily completed the instructor's training course under the supervision of the American Red Cross. These certified instructors are authorized to instruct and examine junior, standard and advanced first aid classes. The junior course is for

The National Exchange Bank of Augusta, Georgia, first aid class is learning to apply splints in the basement of the bank building. Ninety per cent of the bank's previously uninstructed personnel enrolled in this course. After completing the advanced course, the group hopes to have the bank designated as an emergency first aid center



Volunteer first aid detachment at the United States Trust Company of New York—the second such unit organized in the United States

students who have completed the sixth grade in school, or who have reached their twelfth birthday; the standard course is for students who have completed the second year of high school or those who have reached their seventeenth birthday; the advanced course is open to those who have completed the standard course within a period of three years and desire more instruction.

**T**HE standard course requires a minimum of 20 hours instruction, generally given in 10 lessons of two hours each. Every day language is used, technical terms and phraseology being avoided so that there is a clear, understandable presentation of the material discussed. Prevention of accidents is stressed in an attempt to reduce the number of such victims each year. The First Aid training shows what not to do, as well as what to do, when a person becomes a victim.

At the end of the course an examination is given and those passing with a grade of not less than 75 per cent receive a certificate from the American Red Cross.

The purpose of the advanced course is to review the material given in the standard course and to devote more time to the solution and practice of practical problems. An examination is conducted at the termination of this training period, which is for only 10 hours. A certificate is also given to those meeting the requirements for a passing of 75 per cent.

Realizing that preparedness is an antidote for fear and panic, the American Red Cross is able to make a definite contribution to the welfare and protection of the American people through arrangements for organizing those who are trained in first aid so that they may apply their training immediately in times of emergency. With a large concentration of individuals in a building, an organized, smoothly operating group





National Shawmut Bank of Boston employees, left, get first aid instruction in a class at the bank



One of the first aid classes at The First National Bank of Chicago

of first aid-ers will accomplish more, and in less time, during an incident than will a number of well-intentioned persons attempting to do the work on an unprepared basis.

Official volunteer first aid detachments are being organized in buildings throughout the country by the Red Cross. To be eligible for membership in such a detachment, a man or woman must possess an advanced certificate and be employed or live in the building in which the detachment is to function. A minimum of 15 persons is required for official recognition of such a group. These units are directly in line with national defense, as the purpose of the detachment is to render immediate assistance, in the event of an emergency resulting from an act of war, without waiting for the arrival of outside help. It also has a carry-over value for the care of casualties in peacetime.

**SUPPLEMENTARY** training, in addition to the regular first aid training, is given to members. This specialized training covers conditions likely to result from catastrophes and the proper procedures to be followed. Banks, office buildings, department stores, hotels and colleges are some of the types of places where these detachments are being formed.

In all parts of the nation, a great number of banking institutions have adopted this method of putting their first aid service, in connection with building protection, on an organized footing. In the City of New York, most of the banks and their branches have had this plan operating for some time, and more are in the process of

forming. This is under the supervision of the New York Chapter of the American Red Cross.

**AN** outstanding example of a volunteer detachment is that of the United States Trust Company of New York, at 45 Wall Street, which was formed last February. The members are equipped with helmets, individual kits carried over their shoulder, adjustable splints for fracture cases, stretchers, blankets, and fracture boards for broken neck and spine cases. The members have been appointed to squads of five men each and during an air raid drill report to the evacuation shelters, taking with them much of the equipment which they keep at all times at their desks. In the shelters they are prepared to render first aid to anyone in the large gathering of people. If a victim is found in another part of the building, the director of the detachment, operating in a control room, dispatches a squad previously assigned to the area where the victim is. All casualties are transported to the casualty room in a safe area of the building, where cots, metal splints, blankets and reserve supplies are located. Designated detachment members report to this station and work there. Monthly rehearsals are held and simulated cases are prepared in advance for the first aid-ers to practice on.

Banks desiring this training for their personnel should communicate with their local chapter of the Red Cross, stating the number of persons interested in receiving instruction and what days and hours the classes are to be conducted. As always, the American Red Cross will be ready and willing to cooperate.

Thirty-three American Bankers Association staff members completed the basic American Red Cross first aid course, 22 of whom took an advanced course. Class-room attendance for the two sessions totaled 32 hours. Advance first aid-ers at right, with Instructor Charles E. Orcutt, of A.B.A. legal staff, seated, in front row



Mr. Orcutt's contribution to Civilian Defense undoubtedly is typical of the other first aid instructors shown on these pages. At one time he gave eight hours weekly to first aid instruction, not including assignment planning, grading, and American Red Cross "disaster" unit meetings in Yonkers, of which he is captain

SOME of the unnecessary duplications still prevalent in many banks are given here as illustrations of what can be accomplished in reducing expenses while preserving all necessary records and internal check.

### Out-of-Town Checks

A NUMBER of banks list the out-of-town checks received many times. Cases have been noted where six distinct and separate listings have been made of such items. Even in smaller banks where proof machine equipment is not warranted and where the tellers prove their own deposit tickets, there need only be one detail listing made in addition to that made by the teller when proving the ticket. This detail listing is made direct to the cash letters. Items are picked up from the tellers as many times during the day as may be most advantageous. Each teller's work is kept separate and sorted according to sending points. The detail listing is

made on the cash letters and sub-totals taken after each teller's work has been listed. These sub-totals are then carried to the tellers' block sheets. The copies of the cash letters are always available for checking back the detail at any time.

### Cash Letters

A LARGE percentage of the banks continue to write much unnecessary information, such as name of bank and city on which drawn, names of maker, payee and last endorser, against all items on their outgoing cash letters.

Even in banks that do not have photographic equipment all that is required is the A.B.A. code number of the bank on which the item is drawn, the amount, and, in the case of cashed items only, the name of last endorser. If an item or even an entire letter is lost, all deposited items can easily be traced from the deposit tickets. The great majority of such items are in odd

amounts and are therefore self-identifying. But even if there are many items of the same amounts they can be traced from the deposit tickets through the process of elimination.

If lost items were of frequent occurrence there might, perhaps, be some excuse for writing in all this detailed information on the letters, but they are not. In fact, just the opposite is true, they are very infrequent. Many banks which have not lost a letter or item in transit for 10 years or more still continue to do all this extra daily work. It does not make for economical operations to do 15 minutes' work every day in order to save a possible half-hour's work at infrequent and irregular intervals.

### Individual Books

IT HAS been thought that for a bank to adopt single posting of the demand deposit accounts it was necessary to  
(CONTINUED ON PAGE 46)

This little cartoon series aimed at practical conservation appeared in a recent issue of "Bankamerican," official publication of the Bank of America staff. Such good-natured criticism of doodlers (are you one?) seems to be more effective than many serious bulletins on the subject. The doodler is an innocent waster who realizes his guilt only when he's caught (or pictured) red-handed at his pastime

## S.O.S.—Save Our Supplies

— Don't Be a Doodler —

### Doodlers Don't Help Win Wars



CORA THE CARBON KID



ERWIN THE ERASER STAGGER



CLIFF THE CLIP TWISTER



HAROLD THE HOARDER



PAUL THE PAPER WASTER



PEARL THE PENCIL COLLECTOR

# THE FACTS ABOUT *Wood* AS AN ALTERNATE FOR STEEL

YOU may now acquire Remington Rand record keeping equipment in wood as well as steel. To a limited extent, you still have a *choice*—depending upon your position as a producer of war materiel.

But *choice*, today, means something more than stating a preference. If you use steel when an alternate material will serve just as well, you're cheating a fighting man. If you *refuse* alternate products merely because you *prefer* steel, you are neglecting your responsibility to maintain record efficiency today—*when you need it most*.

Here, then, are the facts about Remington Rand's new wood alternate record keeping equipment—facts which may help you to better understand that "efficiency as usual" need not be sacrificed while steel goes to war.

designed to match existing installations of steel units. Thus, your present equipment can be added to without effacing uniform appearance or performance.

KARDEX ADMINISTRATOR cabinets, and Kollect-A-Matic Administrator wood items, are available in a wide variety of sizes—can be adapted to conform to any requirement. As always, you can custom build for your exact needs with standard equipment. There are no changes in control features—nothing is changed but the steel.

GUARDSMAN WOOD FILING CABINETS are available in two, three, four, and five drawer heights, with substitute drawers to accommodate 6x4 or 5x3 cards. A special 18-tray Tabulating Card Cabinet, and a six-drawer unit to house 8x5 cards, are being furnished—all as stock items.

## NO PRIORITY NEEDED

### Visible Records

KARDEX ADMINISTRATOR  
KOLLECT-A-MATIC ADMINISTRATOR  
KARDEX TABLE STAND  
SPEEDAC RACK  
BOOK UNITS & CABINET

### Vertical Records

GUARDSMAN FILING CABINETS  
STEEL-SAVER TRANSFER CASE  
LEDGER TRAY AND BASE

### Office Furniture

DESKS, CHAIRS, TABLES

## THE FACTS

CORRECTLY USED, the word *alternate* means *equivalent* when applied to Remington Rand's Administrator line of visible records and Guardsman line of wood filing cabinets. These quality products are not *substitutes*—are built for *permanent* rather than duration use.

WHEREVER PRACTICABLE, Remington Rand's wood equipment has been

## ACCEPT THIS FREE OFFER

We have prepared two colorful new catalogs, complete with prices, illustrating and describing the full Remington Rand line of wood record equipment. One covers Vertical filing equipment—the other, Visible. You may have either or both of these free buyer's manuals merely for the asking. Write today to Remington Rand, Buffalo, New York,—or drop in at your local Remington Rand branch office. You'll receive your copies promptly. No obligation, of course.

## WOOD EQUIPMENT BUILT FOR *Permanent* USE



Designed to facilitate every factor in Punched-Card accounting routine, this tabulating card cabinet will hold more than 70,000 cards complete with guides! Every "drawer" is a tabulating-wise individual tray.

War-important Kardex, now in use by 80% of all Navy "E" winners as a production control record, is available in wood without priority. Control features are unaltered—nothing's changed but the steel.

The Guardsman File recently passed a gruelling run of 300,000 effortless drawer actions by actual laboratory test! It's formed from wood and plastic with slid suspension reinforced on moving parts with steel.

# REMINGTON RAND INC.

## ANTI-WASTERS—Continued

have photographic equipment or else to make a carbon copy of the ledger sheets. Actually, neither is needed.

Dual posting came into existence because it was thought necessary as a means of proving that items were posted to the correct account. Actually, there is no need for this duplication of work to prove that. There is no basic difference between the posting of depositors' accounts in a bank and the accounts receivable ledgers in large retail stores or manufacturers. There are just as many similar names among the accounts receivable of a large department store as

there are among bank depositors, but no department store would consider dual posting.

Depositors do not require long copies of individual postings in order to reconcile their accounts with the bank. Depositors merely need the last balance and the returned vouchers. These purposes can be equally well served by a short statement form somewhat as follows:

### BANK'S NAME

(Depositor's name)

(Depositor's address)

Your balance as at the close of business was \$—. All checks and debits in the bank's files at this date are returned herewith.

Please examine enclosed vouchers immediately. If no error is reported within 10 days the account will be considered correct.

Through the adoption of this method the bank saves posting time, cost of statement sheets, and transferring of balances, and the depositors have as much information as with the long statement forms. Checks, however, must be perforated or stamped with the date paid and the date as well as the teller's number stamped on the deposit tickets. The date that statements are prepared on this short form can be indicated by a rubber stamp against the balance on the account sheet.

True, they make carbon copies, but it is single posting just the same. Carbon copies are necessary because the customers must be given a detail of the charges. In the case of banks, however, this detail is not required since the charges themselves are being returned to the customers.

A duality of postings can be obtained by first "stuffing" the ledgers—that is, putting the items in front of the account sheets and offsetting the sheets. This stuffing can be done by someone other than the person who actually posts the ledgers. An adding machine list can be made of the balances on these offset sheets and the sheets restored to their position. When the accounts are actually posted the "pick-up" balances should agree with this list.

THE numbers of runs which should be made of these ledgers depends upon the percentage of accounts which move twice or more. It takes about six times as long to locate the account, insert the sheet into the machine and pick up the old balance as it does to post an item. It, therefore, follows that the more accounts which are handled twice the longer is the time that is required for the posting. This can be ascertained by counting the percentage of accounts which move in the afternoon posting that had already moved in the morning. If this is 30 per cent or more it usually pays to consolidate the counter work of the previous day with the morning in-clearings.

The lengths to which unnecessary work is performed on these deposit accounts by some banks is surprising. Many banks in some sections of the country balance the passbooks as well as give out statements to the same depositors. Others will rule the ledger sheets across with red ink the day that

(CONTINUED ON PAGE 48)



**S**INCE THE organization of this Bank in 1863, it has continuously carried United States Bonds as an investment. Experience gained in buying and selling Government issues makes the service of our Bond Department of special value in connection with the issues of

## UNITED STATES TREASURY BILLS AND CERTIFICATES OF INDEBTEDNESS

Inquiries by telephone, wire, or mail are invited, and quotation sheets will be mailed on request.

Telephone Franklin 6800 — LD 92-93-313  
Teletype CG 987

**The First National Bank  
of Chicago**



*Mr. Loan Officer—*

## **Do you work on new loans for months or minutes?**

**D**OESN'T it often take months for prospects to become customers and for customers to become borrowers?

We cannot tell you how to speed up the first of these operations but it takes only minutes to locate large inventories in your credit files.

War-time inventories offer hundreds of opportunities to increase your loan volume . . . profitably, safely. The advances you make secured by LAWRENCE SYSTEM Field Warehouse Receipts cover the stocks right on the borrowers' premises.

Write or wire to any LAWRENCE SYSTEM office for specific information. Your inquiry will be considered confidential.

### **LAWRENCE SYSTEM**

*field warehousing*

**FOR BANK LOANS AGAINST INVENTORY**



New York: 72 Wall St • Chicago: 1 No. LaSalle St • San Francisco: 37 Drumm St • Los Angeles: W.P. Story Bldg.  
Buffalo • Boston • Philadelphia • Kansas City • St. Louis • New Orleans • Charlotte, N.C. • Jacksonville, Fla.  
Minneapolis • Dallas • Houston • Denver • Fresno • Portland, Oregon • Seattle • Spokane • Honolulu

the statements are given out. Others will check all items individually to the statement sheets before giving the statements to the depositors. The same results, of course, can be accomplished much faster by counting the entries on the sheet and the items themselves from the signatures. If these agree there is no chance of an error. Cases have been found where deposited items are listed in detail on the statement sheet and the name of the payor written in ink against each item. This, of course, is not banking service but bookkeeping

service, and should be charged for as such.

Banks with photographic equipment can use the short statement form method to considerable advantage. The major objection to single posting by use of photographic equipment has been the difficulty of looking up accounts for past periods. This short statement form overcomes that difficulty as the ledger sheets never leave the bank and therefore it is not necessary to photograph them until it is desired to destroy them.

With the use of such equipment the deposit tickets as well as the checks can

be returned to the depositors. They can be filed with the checks under the depositor's name and photographed only as the statements are prepared.

### Expense Journal

ANOTHER anachronism in banking records is the long columnar expense journal, which is nothing but a "hang-over" from Boston ledger days, and often hides rather than reveals essential operating facts. A ledger sheet for each account is no more clerical work than posting in the columnar journal, but it gives a great deal more information to management and gives it easier.

In stationery and supplies, for example, the ledger sheet shows all the expenditures in one place rather than on sheet after sheet. The sum of these expense ledger sheets will agree at all times with the control account "Expense" in the general ledger, in the same way exactly as the columns in the journal are controlled.

WHAT is true with the expense accounts is true with the income accounts: there should be only one or two controls in the general ledger. All income can be controlled by one account titled "Income," or there can be two control accounts, one for "Interest and Dividends Received" and one for "Other Income." Crowding the general ledger with too many accounts slows the work up all down the line.

Bringing related accounts together also aids management in the control of expenses as it enables more comprehensive operating statements. It must always be remembered that every dollar on the balance sheet, or statement of condition, as it is known in banks, first appeared on the operating statement. To paraphrase a well-known proverb, "take care of the operations and the balance sheet will take care of itself."

The Sussex and Merchants National Bank of Newton, New Jersey, devotes its entire billboard space to the promotion of milk consumption—the home-county's No. 1 industry—and the Government's War Bond program



## CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO

### Statement of Condition, June 30, 1942

#### RESOURCES

Cash and Due from Banks.....	\$ 577,203,002.54
United States Government Obligations, Direct and Fully Guaranteed.....	943,918,547.00
Other Bonds and Securities.....	59,499,850.16
Loans and Discounts.....	263,515,028.22
Stock in Federal Reserve Bank.....	3,000,000.00
Customers' Liability on Acceptances.....	609,497.01
Income Accrued but Not Collected.....	3,251,165.30
Banking House.....	11,850,000.00
Real Estate Owned other than Banking House.....	1,717,220.93
	<u>\$1,864,564,311.16</u>

#### LIABILITIES

Deposits.....	\$1,724,560,308.81
Acceptances.....	609,497.01
Reserve for Taxes, Interest and Expenses....	5,524,883.01
Reserve for Contingencies.....	17,270,133.83
Income Collected but Not Earned.....	541,861.08
Common Stock.....	50,000,000.00
Surplus.....	50,000,000.00
Undivided Profits.....	16,057,627.42
	<u>\$1,864,564,311.16</u>

United States Government obligations and other securities carried at \$209,276,878.45 are pledged to secure public and trust deposits and for other purposes as required or permitted by law

Member Federal Deposit Insurance Corporation

To illustrate what is meant by bringing related accounts together, the following classification of expense accounts is given:

- Personnel
  - Salaries
  - Social Security and Unemployment Taxes
  - Directors' Fees
  - Surety Bonds
- General
  - Stationery and Supplies
  - Telephone and Telegraph
  - Machinery Repairs and Maintenance
  - Postage and Express
  - General Miscellaneous
  - Insurance Miscellaneous
- Deposit
  - FDIC Premiums
  - Interest Paid
- Outside Services
  - Audits and Examinations
  - Legal Fees
  - Credit Reports and Investigations
  - Dues and Subscriptions
- Building
  - Janitors' salaries
  - Building Maintenance and Repairs
  - Taxes on Building
  - Insurance on Building
  - Miscellaneous (janitor's supplies, etc.)
- Public Relations
  - Advertising
  - Travel and Entertainment
  - Donations
- Taxes and Losses
  - Taxes (income, capital stock, etc.)
  - Differences
  - Losses

Anything which makes for better management information and gives a clearer picture of what is happening in the bank, usually makes for more economical operations. It directs attention to wrong tendencies and enables their correction before they have proceeded far enough to become serious. One of management's major responsibilities is to correct the things that are wrong. This they cannot do as readily unless the system is designed to disclose those things. Today, more than ever, are economical operations a necessity.

### Systems

CHANGING FAULTY systems is hard work but the results are what count particularly in these times. This department knows of a number of banks which long ago set out to revamp all departmental operations, streamline systems and gear-up efficiency. The procedure in each case was to take one department at a time, study available systems and programs, and when, by careful elimination, one or two prospects remained, departmental heads were given leave to make first-hand observations of each system at neighboring banks. As a point for conservation, this procedure is the one certain way to eliminate the kinks (and misgivings) in changing over systems.

### Save Power

IT IS NONE too early to start educating tenants of bank-owned buildings to sensible, patriotic conservation of electric power. In New England where a shortage of fuel and power is threatened by the requirements of war industries, the BRIDGEPORT (Connecticut) CITY TRUST COMPANY recently demonstrated how simply and effectively this cooperation can be obtained. A brief message urging care in the use of electricity was printed on a small white card and decorated with caricatures of Hitler, Mussolini and Hirohito, each "5th columning" the importance of abiding by the sug-

gestion. An office-to-office distribution of the card found every tenant enthusiastic and more than willing to scale down the power bills. They liked the humor, and got the point.

### Check Up

DE LUXE CHECK PRINTERS INC., Chicago, offers an idea on check conservation: Don't pass out fillers promiscuously. Too often banks toss out two or three fillers of checks without regard to the needs of the customer. Banks which do not supply safety numbered or imprinted checks may cut down waste by requesting a signed receipt for each



**THEY'RE COMING—  
MILLIONS STRONG!**

**A**ND MILLIONS MORE will see that they will get where they are going with plenty of ammunition and food. Yes, they are well fed. The best fed army in the world! Organized agriculture is back of them.

The well rounded programs under the guidance of the U. S. Department of Agriculture, through its state and county war boards, result in intelligent production—the kind of food they need and plenty for the future.

It requires large sums of money for this stepped-up production. City dollars are put to work on farms and ranches through the Federal Intermediate Credit Banks, which issue in exchange their consolidated collateral trust debentures. These conservative, safe investments supply the sinews of war in the form of production loans to hundreds of thousands of farmers throughout the Nation—loans made by local credit institutions.

### THE FEDERAL INTERMEDIATE CREDIT BANKS

SPRINGFIELD, MASS.  
BALTIMORE, MD.  
COLUMBIA, S. C.

LOUISVILLE, KY.  
NEW ORLEANS, LA.  
ST. LOUIS, MO.

ST. PAUL, MINN.  
OMAHA, NEB.  
WICHITA, KAN.

HOUSTON, TEX.  
BERKELEY, CAL.  
SPOKANE, WASH.

Further information regarding the Debentures may be obtained from  
CHARLES R. DUNN, Fiscal Agent

31 Nassau Street, New York, N. Y.

filler. The customer is then inclined to be a little more conscious of his responsibility as a depositor and more careful of his checks.

## Methods and Ideas

### Posting

LINCOLN BANK AND TRUST COMPANY, Louisville, Kentucky, reports a speed-up in both savings and personal loan departments by the installation of window posting machines. In the

loan department, the borrower is given a card passbook showing payment date schedule. As payments are made, the entries become a receipt. Advantage: two tellers can work machine alternately and thus save time. At the close of business, a proof is simply run off on the cards posted during the day. The bank also has a machine for writing up the loan register. This is a chronological record of loans made. It lists check number, name, proceeds, class of loan, and various other essential data, and furnishes total for billing the day's work. At the same time, it writes either a check for the proceeds or a credit ad-

vice of proceeds and an auditor's tickler slip. The information from which the bookkeeper works is provided on a work sheet made out by the clerk who closes the loan.

### Consolidation

TO MEET the requirements of the Wages and Hours Law, with special reference to hours per day for each employee, a southern bank advises consolidating related departments under one head, with subheads for each division. This institution worked the scheme on the transit, clearinghouse, interior, mail departments and settlement desk. The problem of peak loads was thereby lessened by shifting clerks from one department to another. It works no hardship on anyone, keeps all reasonably busy, and gives each clerk an opportunity to become familiar with the detail work of all the various desks.

### Will Ballot

A FEW YEARS AGO it occurred to one of the larger automobile companies that its engineering staff might build a better and more popular motorcar if its customers were consulted before the next model was blueprinted. The response, it is said, profoundly influenced the company, both in its engineering design and in its relations with the motoring public. Now we find a similar approach from the trust standpoint undertaken by the UNION & NEW HAVEN (Connecticut) TRUST COMPANY. Through its popular monthly house organ—*The Journal*—readers are asked to cast a secret ballot on a questionnaire on wills. The set of questions covers six salient points on what has been done, is being done, or going to be done

## STATEMENT OF CONDITION

### Mercantile-Commerce Bank and Trust Company

Locust - Eighth - St. Charles  
St. Louis

JUNE 30, 1942

### THE RESOURCES

Cash and Due from Banks . . . . .	\$85,232,740.20
U. S. Government Obligations, direct and guaranteed (including \$21,683,294.52 pledged*) . . . . .	79,007,706.60
Other Bonds and Securities . . . . .	30,609,486.21
Demand and Time Loans . . . . .	44,086,239.07
Stock in Federal Reserve Bank in St. Louis . . . . .	420,000.00
Real Estate (Company's Building) . . . . .	2,650,000.00
Other Real Estate (Former Bank of Commerce Bldgs.) . . . . .	1,500,000.00
Overdrafts . . . . .	33,374.12
Customers' Liability on Acceptances and Letters of Credit . . . . .	194,294.37
Other Resources . . . . .	93,712.75
	<u>\$243,827,553.32</u>

### THE LIABILITIES

Capital Stock . . . . .	\$10,000,000.00
Surplus . . . . .	4,000,000.00
Undivided Profits . . . . .	\$3,318,897.99
Reserve for Dividends Declared . . . . .	450,000.00
Reserve for Interest, Taxes, etc. . . . .	535,551.52
Unpaid Dividends . . . . .	2,203.05
Bank's Liability on Acceptances and Letters of Credit . . . . .	194,294.37
Other Liabilities . . . . .	14,924.14
Deposits, Secured: Public Funds . . . . .	\$ 16,479,711.26
Other Deposits, Demand . . . . .	177,701,698.72
Other Deposits, Time . . . . .	31,130,272.27
	<u>\$243,827,553.32</u>

\*All Securities pledged are to the U. S. Government or its Agents, State of Missouri and the City of St. Louis, to secure deposit and fiduciary obligations.

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

## "SECRET BALLOT"

### Questionnaire on Wills

#### > DO NOT SIGN <

Simply check and mail. No postage required.

- |  |                              |                             |
|--|------------------------------|-----------------------------|
|  | Check                        | Check                       |
| 1. Have you made a will? . . . . .   | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| 2. If so, did an attorney draw it? . . . . .                                       | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| 3. Do you keep it in a place as safe as a safe-deposit box? . . . . .              | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| 4. Do you review it periodically? . . . . .  | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| 5. Have you informed your executor and trustee-to-be of his appointment? . . . . . | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| 6. If you have not made a will, why not? . . . . .                                 |                              | Check                       |
| a. I do not have sufficient property to make a will worth while . . . . .          |                              | <input type="checkbox"/>    |
| b. I prefer to let my estate pass under the intestate laws . . . . .               |                              | <input type="checkbox"/>    |
| c. "I haven't got around to it." . . . .   |                              | <input type="checkbox"/>    |
| d. Any other reason . . . . .  |                              |                             |



by the individual with respect to his will. He merely checks a yes or no, without revealing his identity. These facts, if obtained in reasonable volume, would give what is generally regarded by experts as a close approximation of what holds true in New Haven and vicinity, and would be helpful in formulating new approaches.

### Mail Policy

CONTRARY TO CUSTOM, THE FIRST NATIONAL BANK OF MEMPHIS, Tennessee, urges all employees to have their personal mail addressed care of the bank. The reason for this is simple: first it creates goodwill on the part of the merchant to see a large number of First National names on his books; second, it advertises the bank to a number of people every time a purchase is made. The sales clerk, the credit office employees, the bookkeepers, the statement and billing clerks, mailing staff, post office employees—all have the bank's name continually called to their attention. On all outgoing personal mail, the sender is obliged to use his own postage because of regulations governing metered mail.

### Ration Books

AS A CONVENIENCE to its customers and friends, MISSISSIPPI VALLEY TRUST COMPANY, St. Louis, has distributed many thousands of protective envelopes for war ration books. Because of the

of the local rationing board, the bank supplied quantities to all issuing offices.

### Summer Schedules

THE DANGER of inflation is increasingly serious. The rate of current savings is falling below expectations, and the Government's war bill continues to increase by leaps and bounds. Here's a background that argues against the usual seasonal slump in bank advertising schedules, if we are to continue the job of all-out support for the war effort on the economic front. The Savings Banks Association of the State of New York sets a good example in the recently an-

nounced revision of its Summer campaign schedule. Insertion dates have been advanced to pour on pressure. Themes are refocused on the immediate problem. The first advertisement carries a direct appeal to every individual to save every possible dollar now. . . . "Don't Spend—Save It!" The conversational copy of the entire series is human, friendly advice from one person to another, and the ads represent people in all walks of life, each presenting the appeal in his or her language, to reach effectively the broadest possible cross-section. There are now 180 newspapers throughout the state carrying the ads.



The products of seed and soil have always been essential to the sustaining of human life. . . . In the present Defense emergency Minneapolis-Moline Modern Farm Machines are helping to keep this essential flow of food and fibre uninterrupted. . . . But the call is for increased production on ALL farms; and here the local banker and MM Dealer have a contribution to make. By extending "credit" to deserving farmers for more MM machines where needed, the farm hands being withdrawn for Defense can be replaced and yet production stepped up to maximum. . . . The MM line of tractors and machines is one of the most complete and most modern in the world. By putting more of this power to work you will not only be helping Uncle Sam but helping yourself and stimulating business for your entire community. . . . To those who do not need new Machines this year we suggest that you encourage them to keep their machines in good repair and buy needed parts early.

Invest in  
Defense  
Savings  
Bonds  
and  
Stamps

"Keep 'em  
Flying!"



**MINNEAPOLIS - MOLINE**  
POWER IMPLEMENT COMPANY  
MINNEAPOLIS, MINNESOTA, U.S.A.

**WAR RATION BOOKS**  
PROPERTY OF

"You can't hoard sugar" . . . but you  
can hoard War Stamps and Bonds.  
BUY ALL THAT YOU CAN FROM  
**MISSISSIPPI VALLEY TRUST CO.**  
SAINT LOUIS

flimsy quality of the paper on which sugar ration books are printed, this envelope has been in great demand. The front of the envelope provides space for the name and address of the holder, brief copy advertising War Savings Bonds and Stamps and the bank name at bottom. A cut-out "V-for-Victory" at the top makes it easy to withdraw the books from the envelope. So successful was this idea that, at the request

## Radio

THE INTRODUCTORY "plug" stands at the top of the list of criticisms leveled at the commercial abuse of radio. This initial bid for audience attention makes or breaks a program. A little ingenuity is all one needs to launch a successful show. Here, for example, is how the COMMERCIAL BANK OF ASHTABULA, Ohio, cleverly presents its two-year-old news program featuring J. R. Wyman, secretary and treasurer, as commentator.

Station WICA brought its recording equipment into the bank lobby and captured the sound of banking machines in operation. Against this *Montage* of sound, a secretary's voice was recorded answering the telephone, then the sound of a buzzer, referring the call to Mr. Wyman, who answers, as the record ends, with this familiar slogan "Yes, any teller at any window of the Commercial Bank can handle any transaction." This is followed by a crisp commercial announcement and the introduction of Mr. Wyman. The clever take-off, the injection of the personal element, and the consistency of the series have created a widespread audience. The program is credited with helping the bank achieve its record year.



The Security-First National Bank's (Los Angeles) "Security Way" auto credit plan is advertised in dealers' service departments, with the dealers eager to cooperate

## War Boards

A WORD OF APPRECIATION is certainly due those serving on draft boards, sugar, tire and automobile rationing boards. Their job is a tough and thankless one, which calls constantly for careful analysis and difficult decisions. They are making a mighty important contribution to the war effort, and few are those served who extend their thanks. Speaking for the community of Port Arthur, the FIRST NATIONAL BANK is one, at least, which expresses publicly what it thinks of the local men and women working on these projects. Says the ad: "Friendship and sym-

pathy must be completely eliminated in order to do justice to all, and far-sighted consideration of the many perplexing situations will do much toward the successful attainment of the purposes for which the boards were established. Some errors of judgment may be made but they will be few, and thinking citizens will appreciate the difficulties faced and accept the findings patriotically, as Americans should."

## Victory Topics

THE CHICAGO TITLE & TRUST COMPANY has launched a new employee's publication as a means of maintaining home-front morale and to keep in closer touch with staff members now in the armed forces. *Victory Topics* is entirely devoted to war and defense activities of the staff, both at home and in service. It contains letters and snapshots of employees in training camps over the country and at the far-flung active fronts. It also gives a news summary of what the bank is doing to support their efforts at home through War Bond sales, cooperation with USO, Red Cross, etc. This four-page war news sheet is mailed to the bank's 80-odd service men, to their parents or next of kin, and is distributed to other employees each alternate Friday.

# Dealers in UNITED STATES GOVERNMENT STATE AND MUNICIPAL SECURITIES



## BANKERS TRUST COMPANY

NEW YORK

# Camp Banks

HERBERT BRATTER

*Mr. BRATTER is a Washington correspondent for BANKING.*

**F**URNISHING banking facilities for military posts and defense industries has been a troublesome and perplexing problem. It is believed by government officials that progress has been made toward its solution, but there are still difficulties inherent in the practical situations presenting themselves which necessitate further exploration of the problem.

The Army National Bank of Fort Leavenworth, Kansas, has been in operation since 1907, the First National Bank of Quantico, Virginia, has served the Marine base there since 1924; the National Bank of Fort Sam Houston at San Antonio, Texas, was organized in 1931; and the Broadway National Bank of Alamo Heights, Texas, was set up to serve Randolph Field in 1941.

**S**INCE 1929 the Bishop National Bank of Honolulu, Hawaii, has maintained a branch at Schofield Barracks; since 1934 the National Bank of Tacoma, Washington, has operated a branch at Fort Lewis; since 1935 the Bank of America N. T. & S. A., San Francisco, has served Hamilton Field with a branch. During 1941 and 1942 a few additional branches have been established at Army posts by national and state banking institutions and applications are pending for a few more. Applications for some have been rejected where it was felt that the need was not well established.

While banks have exhibited every willingness to meet whatever needs of the Government are occasioned by the war effort, they have shown some reluctance to operate branches at Army posts generally because of the obvious fact that only in infrequent instances can such branches be self-supporting or profitable.

The tremendous concentration of personnel in numerous camps throughout the country, many of which are distant from cities or banking institutions of any great size, has brought the necessity for banking facilities prominently to the fore. Bank lobbies have been flooded with Army personnel, sometimes to the decided inconvenience of regular customers. The situation has been further complicated and intensified by the con-

centration of men and women in industrial plants who are working on war production.

Government officials and bankers alike have recognized the importance to the war effort of a facilitation of the necessary financial transactions of the Army units as such, industrial concerns, and individuals to save time badly needed for the prosecution of the main task.

**W**HERE the law of a state permits the establishment and operation of branch banks, and where a properly qualified bank is willing to establish a branch, the problem of serving either an Army post or an industrial plant is not too difficult. Where the state law does not permit the operation of a branch, difficulty arises. In some instances, banks have provided the necessary facilities as a patriotic duty without consultation with or permission from supervisory officials. In other cases, they are doing it with the understanding that the supervisory officials will interpose no objection. In one instance, in a state which does not permit branch banking, the governor and the bank commissioner, after consultation with the commandant of a large Army camp, urged the banks of an adjacent town, all of which are national banks, to provide the necessary facilities by whatever means was possible.

**T**HERE is no intention to impose branch banking upon unwilling states. The operations conducted so far and proposed are by no means an entering wedge for branch banking. For the most part they are non-commercial in character, limited to the duration of the emergency and unprofitable unless subsidized. Indeed, in one instance, a bank was required to stop serving the needs of workers at an industrial plant because it had to cross a state line to do so and was thus engaging in an operation which had the appearance of transgressing the prohibition against establishment of a branch in another state.

To meet the need for banking facilities which could not be provided in any other way and to avoid the certainty of operating loss to the banks involved, the Treasury Department has inaugurated a plan for appointing depository banks as government financial agents to serve

the banking needs of Army posts, and to provide compensation for such services through the sale to the banks of the special 2 per cent depository bonds, which had been utilized theretofore as compensation for other banking services to the Government. It is hoped that this type of appointment can be utilized for financial services to industrial plants engaged in war production as well. Admittedly, this extension comes closer to being a commercial function than is service to an Army post. It is felt, however, that in many cases it is even more essential.

Only a few of the financial agency designations have been completed and put into operation. It is expected that their number will increase. One of the first to be established was that by the Citizens National Bank of Alexandria, Virginia, in the offices of the War Department just across the Potomac from Washington.

**I**N the operations of a bank as financial agent of the Government at an Army post, the making of loans will be de-emphasized. The preparation of payrolls, the cashing of checks, the limited acceptance of deposits, the sale of drafts and travelers' checks, the sale of War Bonds and Stamps, the handling of the various organizational funds for post exchanges and other units will be given major attention.

## Farmers' Debts

**A** LETTER from President Roosevelt to Secretary of Agriculture Wickard urging that farmers begin immediately to pay off their debts, mortgages, and other obligations so as "to avoid the unnecessary hardships such as were experienced by farmers and others during and following the first World War," has been sent to each of the million or more borrowers from the Farm Credit Administration. The letter, although referring to the debts of all farmers, made specific reference to borrowers from the FCA and the effort which the Administration has been making to induce farmers borrowing from it to use their increased incomes and such surplus funds as they may have on hand to reduce their outstanding indebtedness, particularly long-term mortgages.

# Heard Along MAIN STREET

**T**HE GENERAL CHAIRMAN of the Scott County, Iowa, War Bond and Stamp campaign is J. M. HUTCHINSON, vice-president and trust officer, Davenport Bank and Trust Company.

The drive was so effective that it attracted nationwide attention. *Life* magazine in its issue of May 25 praised the originality of the plan and pictured many of its unusual features.

Mr. HUTCHINSON modestly plays



BANK & STOLLER

down his own part in the achievement, asking: "How could the drive help but be successful, when every man, woman, and child in the county was wholeheartedly behind it?"

Incidentally, Mr. HUTCHINSON bears a striking resemblance to Federal Securities Administrator Paul V. McNutt, and is often mistaken for him.

★

THE HONORARY DEGREE of doctor of laws was recently conferred upon WILLIAM R. WHITE, New York State Superintendent of Banks, by Union College, Schenectady, New York.

Mr. WHITE is a graduate of Bucknell University, which he now serves as trustee, and was trained in the law at Columbia. After a short preliminary practice, he joined the banking department as assistant counsel. At the age of 32, he was made Superintendent of Banks, and a year later was chosen president of the National Association of Supervisors of State Banks, later serving as chairman of its powerful executive committee.

He is primarily responsible for the recodification of New York's banking laws, so as to protect the small and necessitous borrower, and to correct

investment practices. As a public administrator, Mr. WHITE controls the destinies of 1,200 banking institutions with recorded assets of more than 20 billion.

★

PERCY H. JOHNSTON, chairman of the board of the Chemical Bank & Trust Company, New York, was awarded the honorary degree of doctor of laws by Centre College of Kentucky at Danville recently.

Mr. JOHNSTON began his banking career in his native town of Lebanon, Kentucky, as a clerk in the Marion National Bank. At the age of 26, he became a national bank examiner despite the fact that he was four years under the age requirement. When 30, he was made one of the four national bank examiners at large. He held this position until he became a vice-president and cashier of the Citizens National Bank of Louisville. A year later he was elected first vice-president.

In 1917, Mr. JOHNSTON came to New York as a vice-president of the Chemical Bank; he was elected president in 1920 and chairman in 1931. He is past president of the New York Clearing House Association and has just completed two terms as president of the New York State Chamber of Commerce.

★

MISS MARION E. ST. PIERRE, secretary of the bond administration department of The National City Bank of



New York, recently completed a tour of the Middle West, West Coast and South, where she visited municipal bond dealers, industrial concerns, government fiduciary officers, and bank leaders.

Her trip was made possible by an award from the National City Foundation in recognition of her past service and to enable her to become better acquainted with the physical geography of leading bond issuing municipalities.

★

H. LANE YOUNG, president of the Citizens & Southern National Bank,



Atlanta, has been elected a director-at-large of the United States Chamber of Commerce.

★

WILLIAM H. DILLISTIN, general auditor of the Federal Reserve Bank of New York, sees his spare-time research hobby blossom forth as a published history of New Jersey banks. The volume contains basic information on the year of charter, life and fate of banks and bank titles for the period 1804-1942. It traces the mergers and conversions which have had a part in the creation of present institutions. The listings are given by location and alphabetically by name.

Mr. DILLISTIN, a resident of Paterson, was a New Jersey bank examiner for five years and a national bank examiner for three years in the metropolitan district, subsequent to his past 20-year association with the Federal Reserve. As vice-president and trustee of the Passaic County Historical Society and member of the New Jersey Historical Society, he has pursued his hobby in banking history. The result of his work has been privately published as a contribution to the records of the Garden State.

(CONTINUED ON PAGE 56)



★ ★ ★

# HELPING USERS MEET TODAY'S PROBLEMS WITH THEIR PRESENT EQUIPMENT

★ ★ ★

For many years Burroughs users have profited by the various services that Burroughs provides to help them get the most out of their Burroughs equipment. Today, under wartime conditions, these services are more important than ever.

Thousands of Burroughs users are taking advantage of these services to prolong the life of their present equipment, as well as to meet the increasing demands and changing requirements of today's accounting.

BURROUGHS ADDING MACHINE COMPANY  
DETROIT, MICHIGAN

# Burroughs

[FOR VICTORY—BUY UNITED STATES  
WAR SAVINGS BONDS AND STAMPS]



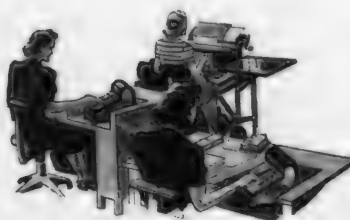
## MECHANICAL SERVICE

Burroughs salaried, factory-trained, factory-controlled service men inspect, lubricate and adjust Burroughs machines. They make repairs and replacements with genuine Burroughs parts. Their work is guaranteed.



## INFORMATION LIBRARIES

To all Burroughs users is available up-to-the-minute information on machine procedures and methods that are providing the best results in meeting today's wartime accounting problems.



## HELPS FOR OPERATORS

Burroughs offers short-cut operating methods booklets and other material helpful in showing operators how to make the best use of the time-saving features and advantages built into Burroughs machines.

## MAIN STREET—Continued

G. W. WILLIAMS, vice-president, Central Trust Company of Cincinnati, looks back on a career in banking which started 60 years ago in the then quiet hamlet of Salem, Illinois, birthplace of William Jennings Bryan. In those days the First National Bank of Salem, which Mr. WILLIAMS swept each morning, had deposits of \$350,000. Today, Salem is an oil boom-town and the bank's deposits exceed \$5,000,000.

Mr. WILLIAMS gathered experience in Salem, then in Hoopston, and finally in Cincinnati, and in the process ac-

quired many friends and an encyclopaedic knowledge of rural and urban banking.

During his Winter vacations he still plays 18 holes of golf every other day. His principal hobbies are photography and deep sea fishing. A few years ago he combined the two, photographing a shark he had caught, together with its 18 young.

★

F. A. (ART) SCHACK, assistant trust officer, Fort Wayne (Indiana) National Bank, by his actions carries out the principle expounded by Silliman Evans,

publisher of the new Chicago *Sun*. Says Mr. Evans: "If you are going to get into a business (or activity) why, get the hell into it." Mr. SCHACK does just that, not only in the institution with which he has been connected for many years but in the outside activities to which he devotes a major part of his leisure hours.

For example, for 24 years he has been the treasurer of the International Walther League—a group of 80,000 young people of the Lutheran Church. For nine years he has been treasurer of, and a moving spirit in the Fort Wayne Civic Symphony, and is now its vice-president. He is a past president of the Lions Club, and as chairman of the special attractions committee has brought to Fort Wayne many of the country's notables. In addition, he is active in his church, in civic undertakings, as a block warden, and also as a golfer.

Although still a young man he takes pride in a son, now serving in the United States Army, and in two attractive grandchildren.

★

WHEN the fortress on Corregidor island surrendered, Lieutenant MEADE H. WILLIS, JR., was among those captured. He received his commission in the Navy in August 1941, and was ordered to report at Cavite Naval Base, Phil-



ippines, for his first assignment. He arrived only a few weeks before the Japanese attack. He was on Corregidor during the siege and cabled his parents in Winston-Salem, North Carolina, that he was well just before the capitulation. Lieutenant WILLIS was associated

## Bank of America

NATIONAL TRUST AND SAVINGS ASSOCIATION

### CALIFORNIA'S ONLY STATEWIDE BANK

Condensed Statement of Condition June 30, 1942

#### RESOURCES

Cash in Vault and in Federal Reserve Bank . . . . .	\$ 281,830,555.61
Due from Banks . . . . .	137,810,624.83
<b>TOTAL CASH . . . . .</b>	<b>\$ 419,241,180.44</b>
Securities of the United States Government and Federal Agencies . . . . .	577,768,948.24
State, County and Municipal Bonds . . . . .	152,331,236.93
Other Bonds and Securities . . . . .	40,730,129.54
Stock in Federal Reserve Bank . . . . .	3,720,000.00
Loans and Discounts . . . . .	883,353,623.98
Accrued Interest and Accounts Receivable . . . . .	6,743,874.65
Bank Premises, Furniture, Fixtures and Safe . . . . .	
Deposit Vaults . . . . .	31,583,980.49
Other Real Estate Owned . . . . .	4,885,096.27
Customers' Liability on Account of Letters of Credit, Acceptances and Endorsed Bills . . . . .	15,775,711.08
Other Resources . . . . .	1,068,838.23
<b>TOTAL RESOURCES . . . . .</b>	<b>\$2,143,202,620.43</b>

#### LIABILITIES

<b>DEPOSITS:</b>	
Demand . . . . .	\$1,017,139,210.01
Savings and Time . . . . .	941,291,316.31
Liability for Letters of Credit and as Acceptor, Endorser or Maker on Acceptances and Foreign Bills . . . . .	16,253,811.89
Reserve for Interest Received in Advance . . . . .	6,485,162.92
Reserve for Interest, Taxes, Etc. . . . .	3,265,447.69
<b>Capital:</b>	
Common (4,000,000 Shares) . . . . .	\$ 50,000,000.00
Preferred ( 462,351 Shares)* . . . . .	9,247,020.00
Surplus . . . . .	62,000,000.00
Undivided Profits . . . . .	19,389,879.12
Reserve for War Contingencies, etc. . . . .	11,942,203.92
Other Reserves . . . . .	3,016,034.92
Reserve for Increase of Common Capital . . . . .	2,752,980.00
Preferred Stock Retirement Fund . . . . .	419,553.65
<b>TOTAL CAPITAL FUNDS . . . . .</b>	<b>158,767,671.61</b>
<b>TOTAL LIABILITIES . . . . .</b>	<b>\$2,143,202,620.43</b>

\*Issued at \$50 (\$20 Capital—\$30 Surplus). Annual Dividend \$2. Preferred to extent of and refundable at issue price and accrued dividends.

This statement includes the figures of the London, England, banking office.

MAIN OFFICES IN TWO RESERVE CITIES OF CALIFORNIA  
SAN FRANCISCO LOS ANGELES



495 branches united for strength and service



with Wachovia Bank and Trust Company, Winston-Salem, for about eight years prior to his enlistment. He had worked in all departments of the bank, and during his last two years was loan officer at the main office.

His father, Meade H. Willis, Sr., now retired, was for many years vice-president of Wachovia, in charge of the bond department.

★

EVERY SUMMER the folks in Pikeville, Kentucky, have a "singing convention," inviting singers from Virginia, West Virginia, Tennessee, Ohio, Kentucky "and all other states," as the announcement says, to participate.

Chairman of the general committee for the 12th gathering, held recently, was JOHN M. YOST of The First National Bank, Pikeville. The purpose of the convention, said Mr. Yost's announcement, "is to foster good vocal music among the masses and especially to encourage an appreciation of good music among the mountain people of the Appalachian region." The meeting was held in the high school. Prizes were awarded to the competing groups of singers.

★

A BANKER with his feet on the ground and a flyer with his interest in the Civil Air Patrol is VARIAN S. GREEN, assistant trust officer, Security-First National Bank of Los Angeles, now wing training officer of the C.A.P. for most of the West Coast.

As flight commander in the Royal Navy Air Force during World War I,



V. S. Green, in Civil Air Patrol uniform, points out C.A.P. establishments to B. W. McPheeters, assistant cashier, Security-First National Bank of Los Angeles, who also is first vice-president, Los Angeles Chapter, A.I.B.

Mr. GREEN saw two and a half years of active service. Since then he has maintained his interest in aviation and is considered one of the West's most accomplished civilian pilots. This banker-flyer holds one of the country's oldest commercial licenses, with both flight and training ratings.

C.A.P. is a voluntary organization of private pilots, mechanics, radio operators and other aviation technicians and

# MANUFACTURERS TRUST COMPANY

Condensed Statement of Condition as at close of business  
June 30, 1942

## RESOURCES

Cash and Due from Banks . . . . .	\$ 363,455,727.09
U. S. Government Securities . . . . .	373,772,503.82
U. S. Government Insured	
F. H. A. Mortgages . . . . .	7,148,495.01
State and Municipal Bonds . . . . .	26,393,067.05
Stock of Federal Reserve Bank . . . . .	2,237,950.00
Other Securities . . . . .	38,947,773.93
Loans, Bills Purchased and	
Bankers' Acceptances . . . . .	287,446,670.15
Mortgages . . . . .	15,578,706.01
Banking Houses . . . . .	12,666,500.00
Other Real Estate Equities . . . . .	2,643,103.86
Customers' Liability for Acceptances	4,091,202.88
Accrued Interest and Other Resources	2,436,821.28
	<b>\$1,136,818,521.08</b>

## LIABILITIES

Preferred Stock . . . . .	\$ 8,599,540.00
Common Stock . . . . .	32,998,440.00
Surplus and	
Undivided Profits . . . . .	43,086,937.28
	84,684,917.28
Reserves . . . . .	4,941,885.69
Common Stock Dividend	
(Payable July 1, 1942) . . . . .	824,959.50
Preferred Stock Dividend	
(Payable July 15, 1942) . . . . .	214,988.50
Outstanding Acceptances . . . . .	4,672,464.51
Liability as Endorser on Acceptances	
and Foreign Bills . . . . .	188,376.90
Deposits . . . . .	1,041,290,928.70
	<b>\$1,136,818,521.08</b>

## DIRECTORS

EDWIN M. ALLEN  
President, Mathieson  
Alkali Works, Inc.

EDWIN J. BEINECKE  
Chairman, The Sperry &  
Hutchinson Co.

EDGAR S. BLOOM  
President, Atlantic, Gulf  
and West Indies  
Steamship Lines

LOU R. CRANDALL  
President, George A.  
Fuller Company

CHARLES A. DANA  
President, Spier  
Manufacturing Corp.

ELLIS F. EARLE  
President,  
Nipissing Mines Co.

HORACE C. FLANIGAN  
Vice-President

JOHN M. FRANKLIN  
New York City

CHARLES FROEB  
Chairman, Lincoln  
Savings Bank

PAOLINO GERLI  
President,  
E. Gerli & Co., Inc.

HARVEY D. GIBSON  
President

JOHN L. JOHNSTON  
President,  
Lambert Company

OSWALD L. JOHNSTON  
Simpson Thacher &  
Bartlett

CHARLES L. JONES  
President, The Jones-  
Atkinson Corporation

SAMUEL McROBERTS  
New York City

JOHN P. MAGUIRE  
President, John P.  
Maguire & Co., Inc.

C. R. PALMER  
President, Cluett,  
Peabody & Co., Inc.

GEORGE J. PATTERSON  
President, Scranton &  
Lehigh Coal Co.

HAROLD C. RICHARD  
Chairman, General Bronze  
Corporation

HAROLD V. SMITH  
President, Home  
Insurance Co.

ERNEST STAUFFEN  
Chairman, Trust Committee

GUY W. VAUGHAN  
President, Curtiss-Wright  
Corporation

HENRY C. VON ELM  
Vice-Chairman of the Board

ALBERT N. WILLIAMS  
President, Western Union  
Telegraph Company

Principal Office: 55 Broad Street, New York City

68 BANKING OFFICES IN GREATER NEW YORK

European Representative Office: 1, Cornhill, London, E. C. 3

Member Federal Reserve System

Member New York Clearing House Association

Member Federal Deposit Insurance Corporation

Both Common and Preferred shares have a par value of \$20 each.  
The Preferred is convertible into and has a preference over the  
Common to the extent of \$50 per share and accrued dividends.

is part of the Office of Civilian Defense. Because of his long experience in the air and on the A.I.B. lecture platform, the choice of Mr. GREEN was logical.

★

R. DONALD CAMERON, second vice-president, Continental Illinois National Bank and Trust Company of Chicago, teamed with former National Professional and Western Open Champion Johnny Revolta to win the recent annual pro-amateur event conducted by the P.G.A. and the Chicago District Golf Association. Their best ball of 33-30-63 was nine under par. It marked

the fourth time that the Cameron-Revolta combination has been victorious in this event.

Winning golfing events, even as important as this one, is no new experience to DON CAMERON who has long been one of the most expert banker-golfers in the country. The addition of another trophy, however, may cause Mrs. Cameron some concern as the Cameron menage already is overflowing with the evidence of Don's prowess on the links.

★

E. L. BLAINE, JR., vice-president of the Peoples National Bank of Washing-

ton, in Seattle, was chosen vice-president representing the Western Division of the National Association of Credit Men at the 47th annual credit congress in Cincinnati.

A native of Seattle and a graduate of the University of Washington, Mr. BLAINE has been active in the banking and business world since his graduation in 1922, serving as credit manager in Spokane for B. F. Goodrich Company, then as credit manager of the National City Bank and the National Bank of Commerce, Seattle, in 1929. He later was cashier and executive officer of two other Washington banks prior to his association with the Peoples National.

Mr. BLAINE is a staunch supporter of the Seattle Chapter A.I.B., having served on the faculty, the board, and as president over the past eight years. He also headed the local credit group.

★

RUFUS W. BAILEY, vice-president of the Farmers and Mechanics Savings Bank, Middletown, Connecticut, has the answer to gas and tire rationing. Astride a western cow pony, Mr. BAILEY makes the three mile round trip from home to office on a quart of oats.

This mode of travel has stirred quite a bit of comment, but Mr. BAILEY advises that it is not a publicity stunt. He has owned and ridden a saddle horse



for exercise and pleasure since 1930. Says he: "When rationing came in, I and my horse went out and rather than abide by bus schedules we come and go on our own."

Mr. BAILEY keeps the horse in a special stall at the bank's parking place. He isn't annoyed by parking meters nor by people thumbing rides home.



## Statement of Condition

At the Close of Business  
June 30, 1942

### ASSETS

Cash on Hand and Due from Banks . . . . .	\$89,011,888.24
United States Securities Owned . . . . .	39,913,887.32
Stock in Federal Reserve Bank . . . . .	330,000.00
Other Stocks and Bonds . . . . .	2,872,737.97
Loans and Discounts . . . . .	56,993,109.97
Furniture and Fixtures . . . . .	271,578.09
Banking House . . . . .	2,225,000.00
Other Real Estate . . . . .	693,022.58
	<hr/>
	\$192,311,224.17

### LIABILITIES

Capital Stock . . . . .	\$5,000,000.00
Surplus Fund . . . . .	6,000,000.00
Undivided Profits, Net . . . . .	4,524,543.26
Reserved for Taxes, Etc. . . . .	371,797.59

### Deposits

Individual . . . . .	\$110,542,232.04
Banks and Bankers . . . . .	50,308,360.33
U. S. Government . . . . .	15,564,290.95
	<hr/>
	176,414,883.32
	<hr/>
	\$192,311,224.17

**FIRST NATIONAL BANK**  
in DALLAS MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION



## Have You Heard?

WALTER J. KENNEDY, vice-president and trust officer, First National Bank, Montgomery, Alabama, and member of the Committee on Trust Education of the A. B. A. Trust Division, is now a major in the U. S. Army Air Corps.

★

VERNE DAVIS, Remington Rand's bank department manager, takes on a new assignment in the tabulating division where his primary work will be in connection with equipment for the Government, Treasury, Federal Reserve and commercial banks.

★

J. N. PEYTON, president of the Federal Reserve Bank of Minneapolis, was among the prominent bankers honored with the degree of doctor of laws by universities this year.

Dr. Charles Nelson Pace, president of Hamline University—Minnesota's oldest school of higher learning—made the honorary award to Mr. PEYTON in recognition of his public service.

★

MELVIN J. ROBERTS, assistant trust officer, The Colorado National Bank, Denver, and a member of the Committee on Liability Insurance for Fiduciaries of the A. B. A. Trust Division, is in active service with the United States Army.

★

E. A. STUEBNER, vice-president, Fidelity-Philadelphia Trust Company, Philadelphia, and a member of the Special Committee on Common Trust Funds of the A. B. A. Trust Division, is in the Army Air Corps.

★

PAUL T. BETZ, since 1934 executive vice-president of the First National Bank of Lincoln, Illinois, has been elected vice-president of Chicago's Live Stock National Bank. He is a Graduate School of Banking man.

★

EDWARD M. GAILLARD has been elected executive vice-president of the Union of New Haven Trust Company, New Haven, Connecticut.

★

EDWARD N. DEKKER, Graduate School of Banking '37, (CB) has been promoted from assistant vice-president to vice-president of The National City Bank of Cleveland.

★ CANADA  
AT WAR

## Battle Wagons

Since the beginning of the War, Canada has produced and shipped to the battle fields of the World more than 250,000 military vehicles. Production is now at the rate of one unit every three minutes and is constantly mounting.

Canadian fighting men need 160 different types of motorized equipment. Canada is producing all of them. One plant alone turns out enough Universal Carriers in a single day to equip two battalions. Medium tanks are coming off the assembly line one every few hours.

## THE ROYAL BANK OF CANADA

Head Office - Montreal

New York Agency - 68 William Street

( This advertisement is published in the belief that our American Neighbours will be interested in the facts presented. More detailed information is available on request to The Director of Public Information, Ottawa, Canada. )

## BANKERS DO NOT WEAR UNIFORMS—

But the part every banker is playing in the production of materials for our all-out war effort is vitally important.

If we can assist you in any way our services are at your disposal.

## MISSISSIPPI VALLEY TRUST COMPANY

St. Louis

Member Federal Deposit Insurance Corporation



87 Years of Banking Experience

# The Taxation of Life Insurance

J. BLAKE LOWE

*The author, a member of Lowe and Wright, nationally-known tax consultants, with offices in Baltimore, Maryland, is a frequent contributor to BANKING on the subject of taxation.*

**U**NDER the present law, life insurance policies payable to a named beneficiary or trustee are exempt up to \$40,000 upon the death of the insured. This is a specific insurance exemption, and is in addition to the \$40,000 general exemption allowed the general estate of the deceased. The specific insurance exemption, however, is allowed only if the insurance is payable to a named beneficiary or trustee; it is disallowed if the life insurance is payable to the estate of the insured.

One of the most important changes in recent years was made by the Treasury Department when it amended the Federal regulations regarding the taxation of life insurance in excess of the exemption (\$40,000).

PRIOR to the amendment, which became effective January 10, 1941, the taxability of life insurance in excess of \$40,000 depended upon who actually owned the insurance policies. Ownership of life insurance was construed by the courts to include the right to change the beneficiary, to surrender or cancel the policy, assign it, pledge it for a loan, the right to the cash surrender value, and any reversionary interest in the policy retained by the insured. In other words, if the insured held such incidents of ownership in his policies, the policies were taxable; if he did not hold such incidents of ownership, the policies were tax-free.

After the effective date referred to above, the taxability of life insurance in excess of \$40,000 no longer depended upon who owned the policies, but upon who paid the premiums. If the insured pays the premiums, either directly or indirectly, the policies are held to be taxable; if, however, the beneficiary pays the premiums, they are not taxable.

On old life insurance policies, therefore, insurance which is owned in excess of \$40,000 may have a partial tax status upon the death of the insured—the tax depending upon who owned the policies up to January 10, 1941, and upon who paid the premiums after that date. In

other words, if Mr. A (the insured) had assigned the ownership of such policies before the effective date and the beneficiaries paid the premiums after said date, there would be no tax upon the proceeds upon the death of Mr. A. If, however, Mr. A owned the policies prior to January 10, 1941 and continued to pay the premiums after that date, the policies would be taxable in full. On the other hand, if Mr. A owned the policies prior to January 10, 1941, but the beneficiaries paid the premiums subsequent to that date, the policies would be partially taxable—that portion of the policy on which premiums were paid by the beneficiary subsequent to January 10, 1941 being tax-free.

**F**OR EXAMPLE, Mr. A has a general estate of \$100,000 and \$60,000 life insurance which is made payable to Mrs. A. In the event of the death of Mr. A, the total taxable estate is \$80,000 (\$160,000 less the general and insurance exemptions of \$40,000 respectively). The tax is \$15,100. If, however, Mr. A had assigned to his wife, prior to January 10, 1941, the insurance he owned in excess of \$40,000 (\$20,000) and Mrs. A had paid the premiums subsequent to that time, none of the life insurance would be subject to tax, thereby reducing the taxable estate to \$60,000 upon which there would be a tax of \$9,500—a saving in estate taxes of \$5,600.

What does this mean for the individual who now contemplates the purchase of additional insurance, and who already owns \$40,000 or more of old insurance? The new policies purchased will or will not be taxable in the estate

of the insured, depending upon who pays the premiums.

For instance, if Mr. B has a general estate of \$80,000 and \$40,000 of life insurance payable to a named beneficiary or trustee, he has a taxable estate, after the exemptions, of only \$40,000 on which there would be a tax in the event of his death of \$4,800. If Mr. B desires to increase his life insurance to a total of \$60,000 and the premiums on the new policies are paid by his wife, there will be no increase in his ultimate Federal estate taxes. On the other hand, if Mr. B purchases the insurance and continues to pay the premiums, his estate taxes will be increased in the event of his death from \$4,800 to \$9,500, a difference of \$4,700, or an increase of nearly 100 per cent.

Although the regulations do not place any weight on the ownership of policies in the future, it is recommended that new insurance be purchased by the beneficiary as the original owner. In order, therefore, that new policies be free from tax, it would be wise to have (1) the policy owned by the beneficiary, (2) the premiums paid by the beneficiary, and (3) no reversionary interest in the insured.

**T**HE next tax bill now pending in Washington proposes to reduce the exemption allowed life insurance in the event of the death of the insured. In view of this proposed reduction in the exemption, and also the possible increase in estate tax rates, it is important that any individual who contemplates the purchase of new life insurance be cognizant of the law and regulations.



The caption on this Leslie's Illustrated Weekly cartoon of 1862 reads: "Employment for our Soldiers when the war is finished. Collecting the taxes"

## CULVER SERVICE

## At Bat for Uncle Sam

**T**HE American League All-Stars vs. U. S. Service Stars baseball classic helped promote the sale of War Savings Stamps in an unusual way.

The Cleveland Baseball Club taxed the fans an extra \$1 for every seat in the stadium. But this "tax" was returned at the gate in the form of a stub, redeemable at The National City Bank of Cleveland for a \$1 war stamp.

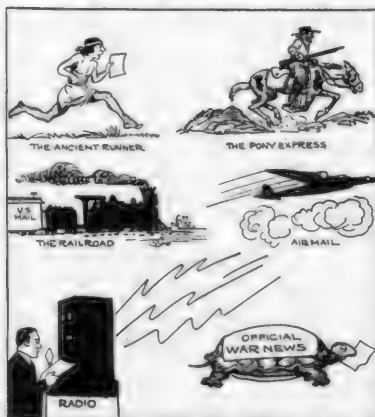
To make it easier for the record 62,000 crowd to cash in stubs, the bank set up seven tellers' stations, with a force of 17 regular employees, at various points inside the stadium on the night of the game. This service was especially designed to take care of out-of-town guests. Clevelanders were invited to use the facilities of the bank's main or Terminal office for the redemption any time up to August 1, if it was not convenient to use the special booths.

The bank purchased, several weeks prior to the game, 75,000 dollar stamps and enclosed each in a glassine envelope, which carried a mention of the bank's wartime services.

As a build-up to the game and a promotion for its unique War Savings Stamp feature, the bank ran a newspaper series in all local dailies during the week preceding the game. The bank's name was also prominently mentioned in all publicity, which at the time filled the sporting pages as the American League shut out the National All-Stars for the Cleveland tilt.

In addition to countless lines of publicity, direct contact with thousands of fans, the bank reports a continual flow of people visiting its offices commenting on the patriotic job it did in behalf of Uncle Sam.

The Evolution of Communication



THOMAS FROM ASSOCIATED NEWSPAPERS

August 1942

## In Time of War Prepare for Peace

**T**HE ADVICE of George Washington to his countrymen "In time of peace prepare for war" is equally appropriate today when written in reverse.

When this war ends, American banking will be confronted with unprecedented problems —and opportunities.

We believe an account with us would be a benefit to you at all times.

... THE ...

## PHILADELPHIA NATIONAL BANK

ORGANIZED 1803

PHILADELPHIA, PA.

Resources over \$650,000,000

Member of Federal Deposit Insurance Corporation

# Bank Window Displays

"WHY don't you occasionally make an attractive display in one of your Main Street windows?" suggested the visiting city banker to his friend, the country banker.

"Can't be bothered; we have no arty people on our staff."

"How do you know until you've sounded out your employees? You can't expect them to parade their talents in business hours without some encouragement."

This country banker, truth to tell,

took the tip, and found, much to his surprise, that his assistant teller had taken an art course in his spare time. The young man was jubilant when assigned the trimming of the window. He worked on it after banking hours, and got a kick out of finding an extra 10 spot in his pay envelope that week.

Into the window went, after careful preparation, a "buried treasure" display. The painted background strip showed a pirate treasure scene. The direct business link with the theme was

expressed on the following show card:

## Buried Treasure

Pirates carefully safeguarded their wealth by burying it so as to have it for future use.

For you, honest and thrifty citizen, the better way to safeguard wealth is to deposit it in the

## EASTWOOD COUNTY BANK

The card was lettered in orange and blue. A blue silk drape on the floor, with a bowl of flowers in harmonizing colors at the center, completed the forceful presentation.

We could cite innumerable such cases of hidden talent discovered among bank employees, even to the youngest girl bookkeeper scarcely out of high school. The women should be given the same opportunity as the men. That way an occasional display will have the feminine viewpoint, helpful in reaching out for the accounts of women, or wives who bank jointly with their husbands.

The bank sponsoring such a display must expect, especially at the outset, some weak visualizations. But the expression of artistic enthusiasm and a capacity for new ideas will cause the local public to overlook the flaws.

It is the attractiveness of what's to be seen in the windows that materially helps to make any small town a shopping mecca. Ask any woman.

Every local display contributes to that attractiveness. The bank should do its part, even if it is not in the category of a retail store.

ERNEST A. DENCH

"I keep running out of money"



## Guaranty Trust Company of New York

Fifth Ave. at 44th St. 140 Broadway Madison Ave. at 60th St.

London: 11 Birchin Lane, E. C. 3; Bush House, W. C. 2

### Condensed Statement of Condition, June 30, 1942

#### RESOURCES

Cash on Hand, in Federal Reserve Bank, and	
Due from Banks and Bankers . . . . .	\$ 670,721,571.76
U. S. Government Obligations . . . . .	1,306,319,482.86
Public Securities . . . . .	44,874,308.19
Stock of the Federal Reserve Bank . . . . .	7,800,000.00
Other Securities and Obligations . . . . .	22,793,959.54
Loans and Bills Purchased . . . . .	511,072,404.96
Credits Granted on Acceptances . . . . .	4,222,417.87
Accrued Interest and Accounts Receivable . . . . .	6,210,909.68
Real Estate Bonds and Mortgages . . . . .	1,790,729.94
	<u>2,575,805,784.80</u>
Bank Buildings . . . . .	10,767,212.19
Other Real Estate . . . . .	1,139,321.92
Total Resources . . . . .	<u>\$2,587,712,318.91</u>

#### LIABILITIES

Deposits . . . . .	\$2,269,969,921.12
Treasurer's Checks Outstanding . . . . .	19,254,841.76
	<u>\$2,289,224,762.88</u>
Acceptances . . . . .	\$7,784,749.62
Less: Own Acceptances	
Held for Investment . . . . .	3,562,331.75
	<u>4,222,417.87</u>
Liability as Endorser on Acceptances and	
Foreign Bills . . . . .	92,957.00
Foreign Funds Borrowed . . . . .	152,550.00
Dividend Payable July 1, 1942 . . . . .	2,700,000.00
Items in Transit with Foreign Branches and Net	
Difference in Balances Between Various Offices	
Due to Different Statement Dates of Some	
Foreign Branches . . . . .	766,580.23
Miscellaneous Accounts Payable, Accrued Taxes, etc.	11,082,194.41
	<u>2,308,241,462.39</u>
Capital . . . . .	\$ 90,000,000.00
Surplus Fund . . . . .	170,000,000.00
Undivided Profits . . . . .	19,470,856.52
Total Capital Funds . . . . .	<u>279,470,856.52</u>
Total Liabilities . . . . .	<u>\$2,587,712,318.91</u>

Securities carried at \$145,798,253.56 in the above Statement are pledged to qualify for fiduciary powers, to secure public monies as required by law, and for other purposes. This Statement includes the resources and liabilities of the English and French Branches as of June 26, 1942, and Belgian Branch as of October 31, 1941.

Member Federal Deposit Insurance Corporation



# Service Charges in Service Contracts

THE office of the general counsel of the American Bankers Association, replying to a banker's question as to whether the Navy Department would recognize a service charge as a legitimate item of expense under a construction contract on a cost plus basis, said:

"A similar question was presented last year in connection with the construction of several munitions plants for the Army. In an advance ruling by the Comptroller General of the United States on one of these contracts he held that the service charges which a bank made for handling the contractor's payrolls were not reimbursable expenses to the contractor under the contract but were in the nature of general overhead expenses which had to come out of the fixed fee.

"HOWEVER, the Comptroller General was urged to reconsider this decision by several cost plus a fixed fee contractors and upon such reconsideration he ruled as follows:

Whether a particular item of expense is reimbursable to the contractor as such, or whether it is included in lump-sum-fixed fees or other payments made depends upon the terms of the contract, and consequently, a proper consideration of the matter is not possible except with relation to specific contracts. The Quartermaster contracts cited above are, however, generally similar, having been executed on C.P.F.F. Form No. 1; and it is assumed that Construction Division Letter No. 75 had reference to this type of contract. In view of these instructions, it is evident that any checking account activity charge imposed on the contractor by reason of providing facilities at or near the site for cashing employees' pay checks is in fact an expense incurred in engaging a service required by the Government in the performance of the work, within the scope of Article 11, Par. 1(a) of the contract, which provides for reimbursement of such actual expenditures in the performance of the work as may be approved or ratified by the contracting officer, including, among other items 'All . . . services . . . necessary for either temporary or permanent use for the benefit of the work.' This is made more apparent by the fact that, if the contractor chose to hire the necessary field employees on the site of the work in order to make cash disbursements of wages, such expenditures clearly would be reimbursable under Article 11 1(g) of the contract which allows reimbursement of salaries of field employees of the contractor in connection with the work.

"Since the Comptroller General has the authority and responsibility of passing upon all disbursements of government funds, this ruling, although made in connection with War Department contracts, would seem to be equally applicable to Navy Depart-

ment contracts on a cost plus a fixed fee basis. It should be noted, however, that the terms of the contract will be the deciding factor in each case as to whether or not the bank's service charges constitute reimbursable expenses to the contractor. Therefore, as a practical matter it would seem advisable to have the contractor ascertain from the Navy Department whether or not under the terms of the contract it can obtain reimbursement for the service charges before your bank enters

into any arrangement with the contractor for handling his payroll accounts."

## We Produce

During this calendar year the factories of the United States will turn out war goods of one kind or another to a value of approximately \$45 billion. Next year I expect that figure will rise to \$70 or \$75 billions.

—DONALD NELSON

## CITIZENS NATIONAL TRUST & SAVINGS BANK OF LOS ANGELES

Established 1890

Condensed Statement of Condition at  
Close of Business June 30, 1942

### RESOURCES

Cash and Due from Banks . . . . .	\$ 46,174,259.26
United States Obligations, Direct or Fully Guaranteed . . . . .	62,192,505.32
State, County, and Municipal Bonds . . . . .	1,367,532.71
Other Bonds . . . . .	384,154.47
Loans and Discounts . . . . .	46,463,264.28
Federal Reserve Bank Stock . . . . .	250,050.00
Stock in Commercial Fireproof Building Co.—	
Head Office Building . . . . .	348,500.00
Bank Premises, Furniture and Fixtures, and Safe Deposit Vaults (Including Branches)	823,485.96
Other Real Estate Owned . . . . .	1,626,718.02
Customers' Liability under Letters of Credit and Acceptances . . . . .	223,944.02
Earned Interest Receivable . . . . .	292,766.67
Other Resources . . . . .	80,364.70
<b>TOTAL . . . . .</b>	<b>\$160,227,545.41</b>

### LIABILITIES

Capital Stock . . . . .	\$5,000,000.00
Surplus . . . . .	3,335,000.00
Undivided Profits . . . . .	1,150,000.00
	\$ 9,485,000.00
Reserves for Interest, Taxes, Dividends, Contingencies, Etc. . . . .	1,087,640.46
Discount Collected—Unearned . . . . .	47,645.34
Letters of Credit & Liability as Acceptor or Endorser on Acceptances & Foreign Bills . . . . .	245,841.46
Other Liabilities . . . . .	8,278.08
Deposits . . . . .	149,353,140.07
<b>TOTAL . . . . .</b>	<b>\$160,227,545.41</b>

Head Office: Spring Street at Fifth, Los Angeles

Branches Throughout Los Angeles

MEMBER FEDERAL RESERVE SYSTEM • MEMBER FEDERAL DEPOSIT INSURANCE CORP.

# A Wartime Investment Report to Directors

(CONTINUED FROM PAGE 25)

The Treasury will probably offer banks a considerable variety of issues due within 10 years. I think we should enter some subscription to every offering suitable for our portfolio. The size of our subscription to any particular offering should depend partly upon our cash position at the time and partly upon how well the issue fits our maturity schedule.

If our deposits do increase as expected, our ratio of deposits to capital will soon exceed 10-to-1. Most other banks will be in the same boat. The ratio of deposits to capital, however, is a very poor method of appraising a bank's financial position. What really matters is the risk in the bank's assets in relation to its capital structure. From a realistic standpoint, there is no risk in cash and

very short term government securities. No simple rule-of-thumb formula can be a good substitute for a careful analysis of the degree of risk in a bank's assets.

Our holdings of securities other than governments have been reduced in recent years. We should plan definitely to liquidate remaining undesirable holdings within the next six to nine months. As the total volume of our earning assets increases, their quality becomes increasingly important.

I have not forgotten the matter of earnings. Even assuming a further decline in our loans and a marked increase in taxes, the investment program outlined above should enable us to make a satisfactory showing from an earnings standpoint at least for the rest of this year and probably longer. With the character of our assets changing so rapidly, we should plan to check our earnings position frequently in order to take any remedial measures that may be required.

Respectfully submitted, etc.



FOUNDED 1894  
46 Convenient Banking Offices

## CONDENSED STATEMENT OF CONDITION, JUNE 30, 1942

ASSETS	
Cash on Hand and in Banks . . . . .	\$144,042,694.55
United States Government Obligations . . . . .	252,097,042.86
Stock in Federal Reserve Bank . . . . .	969,000.00
State, Municipal and Other Securities . . . . .	16,419,983.30
Loans and Discounts . . . . .	151,466,407.73
Banking Premises . . . . .	5,441,789.69
Other Real Estate . . . . .	2,799,864.74
Other Resources . . . . .	759,025.09
Customers' Liability on Acceptances . . . . .	98,785.50
<b>Total . . . . .</b>	<b>\$574,094,593.46</b>

LIABILITIES	
Capital Notes . . . . .	\$11,800,000.00
Capital Stock . . . . .	13,800,000.00
Surplus and Undivided Profits . . . . .	7,900,828.92
Reserve for Contingencies . . . . .	1,618,026.63
Retirement Fund for Capital Notes . . . . .	300,000.00
Reserve for Interest on Capital Notes . . . . .	175,545.21
<b>Total . . . . .</b>	<b>35,594,400.76</b>

DEPOSITS	
Demand . . . . .	\$320,540,390.89
Time . . . . .	190,834,899.90
Estates Trust Department . . . . .	17,158,053.82
Corporate Trust Department . . . . .	5,682,959.08
<b>Total . . . . .</b>	<b>534,216,303.69</b>
Accrued Taxes, Interest, etc. . . . .	1,128,651.75
Other Liabilities . . . . .	3,056,451.76
Acceptances Executed for Customers . . . . .	98,785.50
<b>Total . . . . .</b>	<b>\$574,094,593.46</b>

Contingent Liability on Loan Commitments—\$3,635,000.

United States Government Obligations carried at \$21,390,332.64 are pledged to secure public funds and trust deposits and for other purposes as required or permitted by law.

MEMBER FEDERAL RESERVE SYSTEM

Member Federal Deposit Insurance Corporation

## 2½ Per Cent War Finance

IN THE course of his testimony on HR 7158 to amend the Federal Reserve Act, Marriner S. Eccles made this statement:

I do not feel that the war should be financed on increasingly higher interest rates, and I feel that the purchaser of a 2½ per cent bond today should not find in a year from now that if he had waited he could have gotten 2¾ per cent or 3 per cent, and the bond which he bought today is selling at a discount.

I feel very strongly that the financing should be done on the basis of a stabilized rate structure.

Concerning velocity of bank deposits, Mr. Eccles commented:

I would like to see the velocity of existing deposits increased in both velocity and use, and at the same time to avoid as much as possible the expansion of the volume. . . . I am not saying that some expansion of the volume of deposits possibly would be bad as long as the national income is growing.

Now, we have reached the point in the growth of the national income, or we are getting there where further growth of the national income is not going to bring about further development in production, because you cannot increase the supply of goods much beyond what you are doing now, but up to this time the growth in national income has been a growth in total production. From now on the growth in national income as expressed in dollars would be brought through a price increase and that, of course, would be undesirable.

## The Government in Business

THE TREND in this changing world is indicated by the election of a government representative—the Export-Import Bank's president, Warren Lee Pierson—to the board of directors of the International Telephone and Telegraph Corporation. I.T.&T. recently arranged for a \$25,000,000 revolving credit from the Export-Import Bank.

## Mortgage Amortization

FEDERAL HOUSING COMMISSIONER Abner H. Ferguson calls attention to "the desirability of placing all home mortgages in the United States on an amortizing basis, thereby making debt-free home ownership possible for millions of American families." By using a form of home financing which provides for regular payments to reduce the outstanding loans on their homes, American home-owners will be contributing valuable support to President Roosevelt's program to prevent a sharp rise in the cost of living during the war period, Mr. Ferguson states. One of the principal points of that program is to encourage the paying off of debts and mortgages as a means of directing increased purchasing power into channels that will help forestall any further rise in prices.

## Savings

ACCORDING TO John H. Fahey, Federal Home Loan Bank Commissioner, "the Treasury doesn't just want to

A War Bonds flag flies beside the Stars and Stripes from the Chase National Bank building in New York's financial district



August 1942

divert into War Bonds the money people habitually have put away for 'nest eggs' and the education of their children; it wants people to keep up this type of saving and buy War Bonds and

stamps in addition. It wants people to save every cent not needed for adequate living expenses, because all unnecessary spending carries a heavy penalty."

## "GOING ON 107"

In 1942, this bank will be 106 years old... "going on 107," as they say in New England. This long experience and our close, up-to-date knowledge of New England business and credit conditions are important to banks desiring an outstanding Boston connection. We cordially invite your inquiry.

*The National*  
**Shawmut Bank**

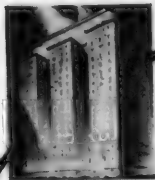
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PERNER  
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Orchestra in the  
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GRILL**  
Nightly except  
Sundays

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## Smaller War Plants

**T**HE Smaller War Plants Corporation "cannot be the miraculous balm that will heal all the wounds resulting from the transition of industry from the pursuit of the arts of peace to those of war," said Lou E. Holland, chairman of the recently formed corporation.

"There are," he added, "bound to be casualties.

"It may well be pointed out at the beginning that the act which set up the Smaller War Plants Corporation uses the following language: 'to mobilize ag-

gressively the productive capacity of all small business concerns, and to determine the means by which such concerns can be most efficiently and effectively utilized to augment war production.' If we are a first aid outfit, we are primarily to aid war production, and intend to do that by using the productive capacity of small business concerns.

"Further, the act says we are to do certain things 'with a view to insuring that small business concerns will be most efficiently and effectively utilized

in the production of articles, equipment, supplies and materials for war and essential civilian purposes.'

"These two paragraphs might be summarized by saying that we are to fit small business into the stringent war economy wherever we can, if it will aid in the general war effort. It is quite clear that we are, as Mr. Nelson has repeatedly stated, not a relief agency.

"But this is not to say that we are not wholly sympathetic to the problems and the plight of small business. We are; and we believe we shall find ways to spread war work more extensively into the field of small business. I know, from my own experience, that there are a lot of small firms around the country which are thoroughly capable of doing many jobs that need to be done.

"For a long time other units of the War Production Board, as well as the procurement agencies of the Army, Navy and Maritime Commission have been working along these lines and I think we have to find out what has been done to date before we can begin to build a program that will be genuinely helpful.

"That is our immediate task, and until that is accomplished, no spectacular announcements can be expected from the Smaller War Plants Corporation.

"As we all know, material shortages in many fields are now the chief concern of the War Production Board. In these fields, and as long as these conditions prevail, we shall probably find our usefulness chiefly in providing facilities which will permit a redistribution of existing contracts. A good many prime contractors are overloaded, and much of the simpler kinds of work they are doing can be done by smaller concerns. If contracts can be broken down and examined, and the simpler jobs placed elsewhere, utilizing existing buildings and machinery, this will aid war production without making any demand whatever on the supply of materials. Also it will aid small business."

# GMAC

GENERAL MOTORS ACCEPTANCE CORPORATION

is engaged primarily in facilitating wholesale distribution and retail sales of consumer goods manufactured by GENERAL MOTORS CORPORATION and its affiliates or sold by dealers in its products, such as automobiles and trucks; refrigeration and air conditioning appliances; lighting, power and heating equipment.

The business consists of investments in self-

liquidating credits, which are widely diversified as to region and enterprise, capital employed being in excess of eighty million dollars.

In obtaining short term accommodation, GMAC issues one standard form of note. This obligation it offers to banks and institutions, in convenient maturities and denominations at current discount rates.



These NOTES are available, in limited amounts, upon request.

EXECUTIVE OFFICE NEW YORK

BRANCHES IN PRINCIPAL CITIES

# DEPENDABLE

## FULTON CORRESPONDENT SERVICE



## FULTON NATIONAL

ATLANTA *Bank* GEORGIA

### Forged Endorsements

PRESIDENT ROOSEVELT has vetoed a bill for the relief of banks that had cashed government checks bearing forged endorsements. Such checks, even if erroneously canceled by the Treasury Department, are by it charged back to the bank concerned, a procedure the President saw no reason to change.



## U. S. Currency in Uruguay

As a move to stop use by the Axis through its part of Latin America of United States currency acquired by conquest, the Uruguayan Government has issued a decree conferring upon the Bank of the Republic of Uruguay the exclusive right to purchase, sell, import and export American bank notes, says the Department of Commerce.

Under the decree, purchases and sales to persons proceeding to or from the United States may not exceed \$100 per person.

The decree required present holders of United States bank notes to declare their holdings on or before July 4. United States currency not declared by that date cannot be legally negotiated.

After examining declarations of holdings, the Uruguayan bank may, with the approval of the Treasury Department, convert United States currency into Uruguayan pesos, but solely for the purpose of transmission to the United States on a collection basis.

Need for such a program in Uruguay and other Latin American countries is shown by reports that refugees arriving in Latin America from Spain and Portugal are bringing a large amount of United States currency believed to have been routed through Madrid and Lisbon by Nazi officials. Such measures are also being taken, in advance, to block a large quantity of United States currency, captured by the Japanese, from being used in Latin America to establish a dollar block market.

Axis property and assets are beginning to be sold in Central America to Central Americans, according to the Department of Commerce. German, Italian and Japanese citizens or corporations will be unable during the post-war period to pick up where they left off in Central America, as they did after the first world war.

"One of the liabilities which the hemisphere has faced during the period when the Axis was preparing for actual warfare has been the network of Axis-owned commercial and industrial organizations, the great strength of which was due primarily to the fact that they had been allowed to continue through the last war and provide the nucleus for further growth and both economic and political power," the Department states.

To the officers of A.B.A. member banks  
and trust companies in charge of director,  
stockholder and customer relations



**LOOK** at the second section of the July issue of **BANKING**. There in 24 pages is a story. The story of **BANKS IN THE WAR**. Reprints of this section are now available in booklet form. Many banks and trust companies are using these booklets as "war insurance" in their public relations program. Here is your opportunity to make reprints of this section available to influential members of your community. It is a fine springboard for your wartime public relations program. **BANKS IN THE WAR** is invaluable material. How many copies can you use?

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10 copies.....	\$ 2.50	100 copies.....	\$ 20.00
25 copies.....	6.00	250 copies.....	48.00
50 copies.....	11.00	500 copies.....	90.00
75 copies.....	16.00	1000 copies.....	150.00

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If you would like to have us imprint the copies you order with "Compliments of (the name of your bank or trust company)" there is a slight additional charge of only \$2.50—and this imprinting can be done only on quantities of 10 or more if your order is placed promptly.

The earlier we may know how many copies of **BANKS IN THE WAR** you need, the more rapidly we can complete the printing of this special reprint edition. This important compilation deserves wide distribution.

## BANKING

22 East 40th Street

New York, N. Y.

# North of the Border

**S**HARPLY increased taxation on personal and corporation incomes coupled with several innovations in the form of allowable deductions and compulsory savings formed the highlights of the annual budget speech of the Minister of Finance in the Canadian Parliament recently.

Total expenditures during the fiscal year 1942-43 are expected to reach the record figure of \$3,900 million—well in excess of half the national income. Of

this amount \$3,330 million will be spent on the war effort, including \$1,000 million in food, supplies, and equipment being shipped to Great Britain as a gift. Necessary civil expenditures will aggregate about \$570 million. Translated into simpler terms, the budget forecasts that every Canadian family must pay on the average more than \$21 per week towards the cost of the war plus \$2 per week towards the cost of government.

Revenue is to come principally from

the following sources: \$1,400 million from personal income taxes (including \$125 million in forced savings), and from sales, excise, and sundry indirect taxes; \$745 million from corporation and excess profits taxes; \$1,755 million from voluntary subscriptions to war loan bonds, certificates, etc. In 1941-42 Canada was able to finance about 50 per cent of all war expenditures from revenue; this year it is anticipated that the percentage will be increased despite the fact that commitments will be approximately \$1,000 greater.

**I**NCOME taxpayers have to face not only higher rates but they must now contribute also in the form of compulsory savings in accordance with the income bracket to which they belong. The scheme is modelled on the British pattern and provides that these savings will be returnable after the war with accrued interest at 2 per cent. Both taxes and savings are to be collected monthly at the source, wherever possible, commencing September 1. Taxpayers may deduct from their savings assessment life insurance, pension fund, and mortgage payments for which they are already committed. Unusual medical or dental expenses exceeding 5 per cent of income may be subtracted from total income for taxation purposes. A single man earning \$2,000 per annum will now be liable for \$441 in tax and \$160 in forced savings; if married with two children he will pay \$107 and \$108 making a total of \$215. If a single man's income is \$5,000 he will be taxed \$1,728 plus \$400 in compulsory savings; if married with two children he will pay \$1,062 and \$600.

**T**HE Minister of Finance has made plain the Government's intention to deliver a concerted attack on the forces of inflation. The budget will undoubtedly bear heavily on the lower income groups which have profited most from the rapid expansion of war industries; it is they, primarily, that have been indulging in the largest buying campaign in the country's history.

Corporations are now subject to a maximum excess profits tax of 100 per cent compared with 75 per cent last year. A new feature in the budget provides, however, that 20 per cent of the tax will be returnable after the war without interest.

A CANADIAN CORRESPONDENT

## THE NATIONAL CITY BANK OF NEW YORK

Head Office • 55 WALL STREET • New York

### Condensed Statement of Condition as of June 30, 1942 (In Dollars)

#### INCLUDING DOMESTIC AND FOREIGN BRANCHES

ASSETS		
Cash and Due from Banks and Bankers.....	\$	935,698,027
United States Government Obligations (Direct or Fully Guaranteed).....		1,277,330,145
Obligations of Other Federal Agencies.....		37,250,496
State and Municipal Securities.....		159,411,837
Other Securities.....		61,514,529
Loans, Discounts and Bankers' Acceptances.....		595,152,147
Real Estate Loans and Securities.....		5,720,191
Customers' Liability for Acceptances.....		5,018,247
Stock in Federal Reserve Bank.....		4,650,000
Ownership of International Banking Corporation.....		7,000,000
Bank Premises.....		38,805,636
Other Real Estate.....		1,500
Other Assets.....		711,037
<b>Total.....</b>		<b>\$3,128,263,792</b>
LIABILITIES		
Deposits.....	\$2,917,113,053	
Liability on Acceptances and Bills.....	\$11,971,019	
Less: Own Acceptances in Portfolio.....	5,639,403	6,331,616
Items in Transit with Branches.....		14,852,967
Reserves for:		
Unearned Discount and Other Unearned Income.....		3,054,820
Interest, Taxes, Other Accrued Expenses, etc.....		3,779,621
Dividend.....		3,100,000
Capital.....	\$77,500,000	
Surplus.....	77,500,000	
Undivided Profits.....	20,031,715	175,031,715
<b>Total.....</b>		<b>\$3,128,263,792</b>

Figures of Foreign Branches are as of June 25, 1942, except Chinese and Japanese branches which are as of November 25, 1941, and the Philippine branch as of December 23, 1941. \$226,018,533 of United States Government Obligations and \$14,784,384 of other assets are deposited to secure \$190,495,239 of Public and Trust Deposits and for other purposes required or permitted by law.

(Member Federal Deposit Insurance Corporation)

# WPB's P-L-M-S

(CONTINUED FROM PAGE 21)

duce the implements of war so absolutely necessary to wage this all-out, global struggle.

In this essential program, many business concerns are cracked hard by "M" orders and the banker must be alive to the changes from day to day to protect himself. A small business enterprise was engaged for 18 years in manufacturing floor polishing machines. No longer can any iron or steel or aluminum be obtained to produce parts. Unless the owner is able to obtain a war subcontract and to use his available machinery to produce new items he'll close up his shop. Fortunately this concern is in a healthy financial shape. If the business had happened to have been extended with a large inventory suddenly frozen, the bank which had supported this concern for the past 16 years would have had a problem in obtaining repayment on its \$50,000 outstanding unsecured loan.

MANY of the extensive items in this restricted M-126 list, such as croquet wickets, egg-slicers, and hair curlers were produced by larger business enterprises with wide varieties of lines. As the manufacture of a particular individual item has been prohibited, these concerns have generally been able to obtain more and more prime war contracts or subcontracts. Each manufacturer presents a different problem, but the banker must be in touch with the inventory and operating restrictions in each case to analyze the credit soundness behind his extension of credit. Creeping into these situations are vital problems of inventory unbalance. These problems will become more widespread as our expenditures to make the United States "the arsenal for democracy" in-

crease from the present tremendous \$3,000,000,000 per month to the still more super-tremendous \$6,000,000,000 per month by the end of this year of 1942.

*S Series*—More vital in individual cases are the orders in the "S" series. The first "S" order was issued on October 15, 1941. Orders in this series are penalties for the violation of regulations; they are used by WPB to enforce its decisions. An "S" order withdraws all priority assistance from a concern that has violated priority orders, and may practically put a violator out of business. Fortunately there have been only a moderate number of "S" orders issued, only 66 from October 15, 1941 to July 7, 1942, not quite two per week. The early "S" orders provided mild penalties. After nine months of temporizing the WPB is now getting plenty tough, and rightly so.

One manufacturer of full-fashioned silk hosiery, for example, was recently denied the use of restricted raw materials for a period of three months as a penalty for the illegal sale of 4,100 pounds of reserved rayon yarn. The banker in that picture will have to determine from his contact with the management what effect that suspension will have on the enterprise. Can it support the overhead on decreased activity? Is the concern in healthy shape today, financially strained, or very hard up? Are the liabilities heavy and can the existing bank loan be liquidated orderly? Did that suspension order sound taps?

A SECOND substantial manufacturer of electrical household supplies was recently prohibited by an "S" order, until revocation—which can be put off

for the duration of the war—from selling electrical supplies containing aluminum *under any conditions*. The corporation was also prohibited from processing, assembling, or producing *any* electrical appliances or materials entering into them, for a specific period of six months. Under the terms of a limitation order, L-65, which applies in this particular case, the manufacturer is, however, permitted to fill orders bearing preference ratings higher than A-2. This means that orders can only be filled when they come from a prime contractor or a subcontractor working on war equipment or supplies. These widespread penalties were imposed because the concern had accepted and melted 17,000 pounds of unauthorized aluminum scrap, which it then used in the production of waffle iron grids.

How greatly the operations of this corporation, with a tangible net worth in excess of \$1,000,000, will be affected presents a real credit study for any banker. Fortunately the concern has substantial accounts receivable on the books, the proceeds of which, as collected, will be able to retire the existing \$100,000 loan from its banks. Whether 80 per cent or 90 per cent of the inventory will then be frozen for the six months that the penalty remains in force, depends entirely upon the volume of business which can be developed from manufacturers of war equipment with sufficiently high priority ratings. It would be reasonable to expect a loss over the six months penalty period due to the continuing overhead, no matter how sharply expenses are reduced during these months.

If this concern had had smaller receivables and larger liabilities to its banks and to its merchandise suppliers, the problem of the creditors under such an "S" order could well have been very, very serious. Each "S" order in itself should have the immediate attention of the banker interested.

THE War Production Board's various series of orders finally became so extensive that on May 25, 1942 the Bureau of Priorities of the WPB issued a 143-page pamphlet summarizing briefly but concretely each order issued up to that time. In June supplements were issued; others are probably pending.

These summaries represent practical reference information for the lending banker.



Elmer Davis, director of the Office of War Information, answering questions of newsmen at the White House after conferring with the President and Secretary of War Stimson

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**Policy**—To cooperate with out-of-town banks rather than compete for business which is rightfully theirs.

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NEW YORK CLEARING HOUSE ASSOCIATION  
FEDERAL DEPOSIT INSURANCE CORPORATION

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10th edition

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### SIMPLIFIED BANKING FORMS

The Bank Management Commission of the American Bankers Association recommended in its book "Simplified Banking Forms" the use of numerous forms designed to reduce operating costs and streamline operating methods. Here is a six-page catalogue issued by a reliable bank supply manufacturer which classifies and numbers these forms in accordance with the procedure outlined by the Commission. Proper use of the forms herein listed will help your bank cut down inventory investment, waste of unused and unnecessary forms, and loss of time and labor.

### A STATE STATES ITS CASE

How much is a new factory worth to a community? How may taxes be reduced by state-directed promotion? How can a state's research facilities aid small businesses? These, and other basic questions are answered in a revealing 40-page booklet, issued by a state that has a real story to tell and tells it with an eye towards new income, new profits and lower taxes. There are good ideas here that may provide a solution to some of the wartime problems of your customers.

### TAXES AND ESTATES

Here is an estate and tax bulletin sent by a number of trust companies and by banks with large trust departments to customers and prospects. Prepared by a tax specialist each month, these bulletins serve as a tax guide for the individual. In simple, non-technical language, they present facts and practical illustrations on taxation of incomes and estates so that the reader may become familiar with the fundamental principles of taxation, and thus be able to apply these principles to his own tax and estate problem. Four pages.

### ELIMINATING CUMULATIVE LIABILITY ON FIDELITY COVERAGE

As large buyers of fidelity bonds, bankers will find this 32-page book of

considerable importance. The author, an expert on fidelity coverages, outlines ways to avoid confusion with regard to cumulative liability which arises from superseded suretyship riders, as well as from ambiguities in various fidelity bonds, policies and riders. The information in this book will help surety underwriters, attorneys, claims adjusters and buyers of insurance to have a clearer, more workable understanding of cumulative liability in connection with fidelity coverage.

### PURE PROTECTION

This 16-page booklet outlines a new low cost life insurance policy to fit the wartime pocketbooks and needs of businessmen who, under normal conditions, already have adequate protection. The policy is designed to safeguard beneficiaries from wartime increased taxes and higher living costs. Trust officers reviewing estates and loan officers considering loans will doubtless find occasions where this type policy will help protect the interests of the bank and its customers.

### BOOKLETS Still At Your Service

### HOW TO MAKE YOUR OWN INDEX TABS

You can make your own index tabs for post binder, ledger, ring book and visible record index sheets, as well as for card, letter and other files. This six-page folder tells how easily you can do this with "Mak-Ur-Own" celluloid index tabs; it gives costs, available sizes and colors, and tells where to buy them.

### FOR YOUR PRINTER CUSTOMERS

This booklet presents a plan for printers who need more business. It is such a good plan that we thought some of our banker readers who have printer customers would like to know about it. New business men will find it full of useful ideas that will help them in making calls on the printing trade.

BANKING



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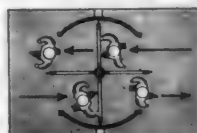
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(An After-the-war Suggestion)



Swing Doors often confuse customers—cause head-on collisions—and tie up traffic in annoying tangles.



Revolving Doors eliminate confusion and accidents—handle more traffic, more efficiently, than other doors.

★ Is it hard for customers to walk in and out of your bank? Do they "push" when they should "pull"? Do they get bumped by swinging doors? Do they have to force their way through traffic jams?

You can solve this problem—after the war—with a Revolving

Door. It will divide incoming and outgoing customers into two natural lanes—eliminate confusion and accidents—and speed up traffic.

But that's not all. A Revolving Door will also cut your heating and air conditioning costs—increase your usable floor space—reduce your damage from dust and dirt—and assure greater comfort for your customers and employees.

We can't supply Revolving Doors of any kind now, because our plant is engaged in 100% war production. But we can help you plan your Revolving Door now for delivery as soon as the war is over. Find out—today—how Revolving Doors are serving other modern banks.

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# Revolving Door

DIVISION of

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STEEL COMPANY

Evansville, Ind.

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★VAN KANNEL

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He can plot  
the future in the  
plans of today



THE title on his office door is "Architect"—but it scarcely does him justice. His has been a leading part in making America a nation of modern skyscrapers, efficient factories... and comfortable, livable homes.

Today his skill is devoted almost entirely to war-vital projects. Indeed, materials for homes he would like to design are not available. Copper and brass and bronze are needed to help fight the war. He, of all people, appreciates the necessity. For the very qualities that make these metals so indispensable for home

make them doubly vital for war production...for ammunition, for planes and ships—and for the electrification of the plants that produce them.

But your architect can look ahead with confidence. Much of the war-time design he is developing today will be reflected in finer peacetime construction to come. And this he can

also count on: When the present emergency is over, Anaconda Copper, Brass and Bronze—for rustproof piping, for enduring gutters, downspouts and flashing, for screens and hardware and

be ready for an even wider field of application.

For, while devoting every productive effort to helping win this war, Anaconda is carrying on the same research that pioneered such important developments as brass-pipe plumbing, that paved the way for copper tubing, which made low-cost, rust-free water piping possible.

The homes that can't be built today will be better built tomorrow because of Anaconda research.

**THE AMERICAN BRASS COMPANY**  
General Offices: Waterbury, Connecticut  
Subsidiary of Anaconda Copper Mining Company  
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New Toronto, Ont.



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Millions of people who will see this and similar advertisements in Time Magazine will, as a result, build with rust-proof copper and brass when these durable metals are once again available. For them, it means sounder, more secure living; for you, better long-term mortgage security.



# Anaconda Copper & Brass

THE AMERICAN BRASS COMPANY, General Offices: Waterbury, Conn.

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# ★ ORGANIZATION ★

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# ★ FOR VICTORY ★



# THE NEW YORK TRUST COMPANY

100 BROADWAY

MADISON AVENUE AND 40TH ST.

TEN ROCKEFELLER PLAZA

## CONDENSED STATEMENT OF CONDITION At the close of business, June 30, 1942

### ASSETS

Cash on Hand, and in Federal Reserve and Other Banks . . . . .	\$172,621,381.52
Exchanges, Collections and Other Cash Items . . . . .	24,628,061.41
United States Government Obligations—Direct and Guaranteed . . . .	265,284,302.22
Other Bonds and Securities . . . . .	25,616,563.19
Loans, Discounts and Bankers' Acceptances . . . . .	115,320,557.77
Interest Receivable, Accounts Receivable and Other Assets . . . . .	1,548,075.86
Customers' Liability for Acceptances . . . . .	723,297.19
Real Estate Bonds and Mortgages . . . . .	3,375,480.89
Equities in Real Estate . . . . .	1,581,000.17
Banking Premises—Equity . . . . .	2,020,997.42
	<u>\$612,719,717.64</u>

### LIABILITIES

Deposits . . . . .	\$558,925,329.83	
Outstanding and Certified Checks . . . . .	<u>9,683,705.65</u>	\$568,609,035.48
Dividend Payable July 1, 1942 . . . . .		437,500.00
Accounts Payable, Reserve for Taxes and Other Liabilities . . . . .		1,451,253.37
Acceptances . . . . .		971,415.44
Capital . . . . .	12,500,000.00	
Surplus . . . . .	25,000,000.00	
Undivided Profits . . . . .	<u>3,750,513.35</u>	41,250,513.35
		<u>\$612,719,717.64</u>

United States Government obligations and other securities carried at \$30,365,805.02 in the above statement are deposited to secure public and trust deposits and for other purposes required by law.

### TRUSTEES

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*New York*  
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*Root, Clark, Buckner  
& Ballantine*  
JOHN E. BIERWIRTH  
*President*  
JAMES C. COLGATE  
*Bennington, Vt.*  
ALFRED A. COOK  
*Cook, Nathan, Lehman  
& Greenman*  
WILLIAM F. CUTLER  
*Vice-President*  
*American Brake Shoe & Fdy. Co.*

FRANCIS B. DAVIS, JR.  
*President*  
*United States Rubber Company*  
F. TRUBEE DAVISON  
*President, American Museum  
of Natural History*  
RUSSELL H. DUNHAM  
*Chairman of the Board*  
*Hercules Powder Company*  
SAMUEL H. FISHER  
*Litchfield, Conn.*  
WILLIAM HALE HARKNESS  
*New York*  
B. BREWSTER JENNINGS  
*Socony-Vacuum Oil Co., Inc.*

HOWARD W. MAXWELL  
*New York*  
HARRY T. PETERS  
*New York*  
SETON PORTER  
*President, National Distillers  
Products Corporation*  
DEAN SAGE  
*Sage, Gray, Todd & Sims*  
VANDERBILT WEBB  
*New York*  
MEDLEY G. B. WHELPLEY  
*Guggenheim Bros.*

Member of the Federal Deposit Insurance Corporation



# The Convention in Print

## More Questions Than Answers

A RECENT article in the *Wall Street Journal* described with a hint of wistfulness the passing of the age of simplicity in banking.

Three years ago, said the writer, the only thing that most bankers had to do was receive deposits, invest the funds and simply mind their own business.

Whereas today bankers have questions like these to decide:

Here is "Bill Jones" who has been a borrower at the bank for many years. Now he comes in and wants a \$1,000 loan to help pay for a home. Can he have it without violating Regulation W?

Or take the case of Hans Zimmerman who talks with an accent heavy with umlauts. He has not been in the bank for several years and suddenly shows up to draw out his savings. Can he do so legally and what is the banker to do about it?

Here's another one. A firm making rubber bands wants a loan, possibly under Regulation V. This might be an occasion for some to hem and haw and wonder.

And it is not only questions of credit that puzzle bankers today. What is the banker to do about employees who are considering taking higher paid jobs in some war production plant? Is he right or wrong if he attempts to persuade them to stay in the bank?

What should he advise savings account depositors who might be thinking about withdrawing money for the purchase of War Savings Bonds?

While it may astonish bankers to learn that they had nothing to do several years ago but take deposits and invest the money, it almost seems true, looking back, in comparison with the situation today. Surely there was never a time when the ordinary day to day duties of a banker were so engulfed in new problems, unanswered questions, interpretations and amended interpretations of myriad rulings.

## The Biggest Convention

THE September issue of *BANKING* will contain the answers to hundreds of questions of fundamental importance to current banking operations. The cancellation of the annual convention of the Association, at the request of the Director of Defense Transportation, has placed a great responsibility on *BANKING* and the whole financial press of the country in its effort to substitute the printed page for the convention platform and the opportunity for bankers to mingle and exchange ideas, information and counsel. It will be big — this convention in print — big in attendance because all bankers in the country can participate, and big in results because it will gather together the outstanding authorities on every banking subject.

Here are a few examples of the kind of questions that we want to have answered clearly and frankly by outstanding authorities in the pages of *BANKING*'s September "Convention in Print."

What must be done in a military and naval way to win the war?

How will the present inflationary trend affect banks?

In what ways will the vast Treasury financing program affect every bank, particularly its investment and capital position?

How can banks participate most effectively in financing war production?

How can a bank use its correspondent connections to best advantage in financing war production?

What are the simple, basic facts about Regulation V?

What lessons can we learn from Canada's experience in financing war?

Should service charges be increased and what are the steps in accomplishing this?

What are some of the important operating economies that can be used to offset declining earnings?

What new income producing opportunities are available today?

What should banks do about dividend policies under present conditions?

WHAT should be a bank's consumer credit policy?

How should banks handle the problem of borrowers who come within the scope of the Soldiers' and Sailors' Civil Relief Act?

What are the principal factors to watch in accounts receivable financing?

Should banks seek draft deferment for employees?

Where can a bank look to find replacements for employees entering some kind of war service?

What policies should be followed in training new personnel?

What can be done to meet the challenge of government competition in the lending field?

What new trust services have been created and what standard services have been revised to meet war needs?

What are the implications to banking in rent control?

What broad trends in house construction and mortgage finance are likely to come out of the war?

What special problems are now involved in making mortgage loans and managing a mortgage portfolio?

What is the outlook in bank taxation?

What is an appropriate, well-rounded public relations and advertising policy for a bank to pursue now?

Should banks furnish free safekeeping for War Savings Bonds?

How shall savings banks face a possible steady decline in deposits?

What is the position of banks in the priority picture?

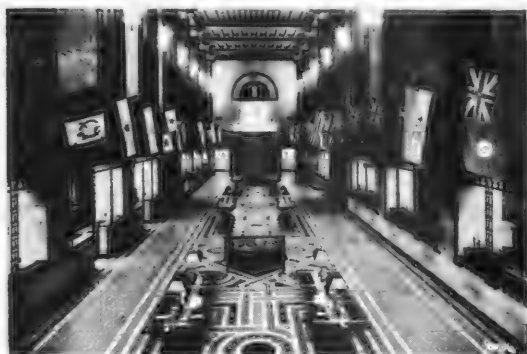
What operating methods are useful in overcoming the shortages of equipment, supplies and manpower?

Banks throughout the country have cooperated in making possible this "Convention in Print" by sending in questions. We cannot answer them all in exactly the form they were sent but we hope to cover in one place or another the main points raised by the questioners.

WILLIAM R. KUHN

# War Bond Sales Hints

## United Nations Flag Displays



United Nations flags line the banking room of the Baltimore (Maryland) National Bank, above. "Old Glory" is flanked by the American Red Cross banner and the Maryland flag. Each flag is identified in a central directory



War Bonds totaling \$15,000 were sold during the opening day of the new sales booth, above, of the Citizens & Southern National Bank in Atlanta

★

Small United Nations flags, with identification under each, are used in an attractive lobby display by The American National Bank of Nashville



## Redemption Charges

IN a recent letter to the American Bankers Association, the War Savings Staff of the Treasury Department for the first time defined its attitude toward service charges made by banks to cover the costs of handling the redemption of War Savings Bonds. This policy is expressed in the following excerpt from the letter:

"The Treasury's attitude toward repayment of postage and registration fees to banks in connection with the War Savings program is as follows:

"First, the Treasury has agreed to reimburse banking institutions for postage and registration fees incurred by banks in the delivery of War Savings Bonds to purchasers when over the counter or personal delivery is impracticable.

"Second, there is no chance at the present time that the Treasury will give consideration to reimbursing anyone for postage or registration fees incurred in the redemption of War Savings Bonds.

"Third, with full appreciation of the financial burden banks have assumed in aiding the Treasury to sponsor its War Savings program, the Treasury is reluctant to make an official request to banks urging them not to make service charges in connection with the redemption of War Savings Bonds, but, in view of the fact that up to the present time the redemption of War Savings Bonds on a national basis has not been heavy, it hoped that the banks will voluntarily refrain from making service charges to bond holders who are redeeming War Savings Bonds, for the period of duration or at least until the problem becomes serious.

"Fourth, it is hoped that a bank will not make a service charge in connection with the redemption of the bonds, at least for the duration of the war emergency; however, it appears no one should object to reimbursing a bank for the postage and registry costs necessary to forward the bonds to a Federal Reserve bank, and the Treasury would interpose no such objection where the person desires the bank to effect the mailing."

## Hoarders

NORTH RIVER SAVINGS BANK of New York sent a general letter to all safe deposit box holders, calling attention to the fact that hoarding of currency is not only unpatriotic but illegal, and suggesting that those who were hoarding cash convert it into War Savings Bonds as a patriotic gesture. As an immediate result of this mailing, the bank traced approximately \$112,000 of cash removed from safe deposit boxes and used to purchase bonds, and in addition \$55,000 was re-deposited in savings accounts. President Harris A. Dunn remarks: "Our results have been so satisfactory that I believe it would be an excellent procedure for other banks to adopt and thus add substantially to bond sales from cash locked up in vaults."

## Meetings

IF YOU WANT to inject a bit of novelty as well as entertainment into your regular staff meetings on war-time financing and the bond sales program, try the suggestion of a mid-west bank. The president of this institution sent periodic messages to the staff enclosing the various folders and descriptive matter on War Bonds produced by the Treasury for general distribution.

UNION COUNTY TRUST COMPANY  
*announces a*  
**10 POINT PLEDGE PROGRAM**

*To Aid the Government...the Community...Local Industry...and the Individual*



A plain statement of facts issued by the Officers and Directors of this Institution to clearly define the position of the Union County Trust Company and the part it is playing in this great emergency . . . .

He urged the employees to study this literature carefully in anticipation of a special event to be announced later.

The special event was a "War Bond Spell-Down" staged at one of the employee group meetings as an educational feature, and in lieu of the usual lecture. Special effort was made to obtain maximum attendance at this particular meeting. No one had a chance to "bone-up" as the two teams were selected at random—one of men, the other of women. After running through an old-fashioned spelling bee on war bond questions, each member of the winning team received \$5 in stamps, the losers \$2.50 each.

#### Official Emblems

THE TREASURY Department has adopted two official war savings emblems—a target lapel button and a red, white and blue window sticker. Both connote 10 per cent of income participation in War Bond purchases.

#### Bond Manual

THE INTENSIVE War Savings Bond drive developed voluntarily by American banks was given further impetus recently by a Treasury mailing of the new 32-page manual entitled "Helping Your Bank Sell U. S. War Savings Bonds."

The booklet is a joint undertaking of the TREASURY DEPARTMENT and the AMERICAN BANKERS ASSOCIATION, which cooperated in its preparation. It contains a plan of sales training for bank personnel, window and lobby display ideas, specimen newspaper advertisements, and suggestions for publicity, direct-mail and radio promotions. Sources of speech material are also given.

Secretary Morgenthau, in a foreword to the manual, says: "The success of one of the most vital of our country's war efforts is in your hands. To date, your unstinted contributions to the United States War Savings Bond program has been magnificent. What you did even

Section of a page-ad by the Union County Trust Company of Elizabeth and Cranford, New Jersey. The bank's 10 pledges include: Doing everything in its power to help win the war; to provide financing for war industries; to abolish hoarding; to buy government bonds; to influence others to buy War Bonds; to encourage people to get out of debt; to make loans for necessary requirements to local industries, merchants and individuals; to pay employees in the services the difference between military pay and bank salaries for one year

★

Red, white and blue cover used on the War Bond manual prepared jointly by the War Savings Bond Staff of the Treasury Department and the American Bankers Association



## Backstage with War Bonds



Celbert Baillargeon, president, Seattle (Washington) Trust & Savings Bank, left, discussing a War Bond payroll savings plan with H. W. McCurdy of Associated Shipbuilders



Payday at a Seattle war industry



When Seattle Trust receives list of payroll savings plan subscribers, it makes an address plate and ledger sheet for each

\*

Seattle Trust employees are shown making ledger entries



before the outbreak of the war has become one of the finest testimonials to our democratic way. That over 14,000 commercial and savings banks—without a cent of compensation—voluntarily launched a great and successful drive to sell War Savings Bonds is a glowing tribute to the quality of the patriotism of America's financial institutions. Now that we are engaged in a struggle for our very existence as a nation, your position as financial counselor to the people in your community has assumed an even greater significance and automatically an even greater responsibility for continued and mounting contributions."

## Payroll Savings Plan Builds Business

"BACKSTAGE WITH YOUR WAR SAVINGS BONDS" is the title of a customer relations folder devised by the SEATTLE TRUST & SAVINGS BANK to acquaint its 8,000 payroll savings plan purchasers, commercial customers, civic leaders and Federal, state and county officials with the steps taken by the bank to safeguard the interests of War Bond purchasers and to let them know what the bank is doing, as an institution, to aid in the war effort.

The "backstage" story of the steps followed by the bank in consummating the sale of War Bonds through the payroll savings plan, making delivery of safekeeping receipts, and storing the bonds in the bank's vault is told pictorially with the aid of appropriate captions, in which the names of bank employees responsible for various phases of the work are given.

The folder calls attention to the bank's "complete banking services for the individual" and includes mention of extended hours on Fridays at one branch office for the convenience of war workers.

The folder also lists the 78 Seattle business organizations for which it maintains the payroll deduction plan as a matter of public service.

In commenting upon the payroll savings plan as a business builder, Executive Vice-president Winslow advises that "many of these people are new-comers to Seattle or are individuals who have never had any established banking connection, and we already have had some evidence that their introduction to the bank via the payroll deduction plan has resulted in increased patronage and that many of them are beginning to think of us in terms of other bank services."

Mr. Winslow further states that "as a piece of institutional advertising, it is one of the best things we have ever done, and, in addition, it has made people conscious of the scope and importance of the service banks are rendering without profit in financing the war effort."

The Seattle Trust and Savings Bank payroll savings plan was borrowed, with some adaptations, from the FARMERS & MECHANICS SAVINGS BANK of Minneapolis, and is similar to plans previously described in these columns.

Some of the pictures used to illustrate the folder are shown at left.

## After Hours

THE NORTH JERSEY TRUST COMPANY of Ridgewood, New Jersey, is open Friday evenings this Summer for the sale of War Savings Bonds and Stamps. The work is



being done by a staff of volunteer employees and will continue for the duration of the war. During the Summer months New Jersey banks are closed Saturday mornings, when 40 per cent of this bank's bond sales have been made. The Friday evening hours offset the time that otherwise would be lost.

### Checking Customers

THE NEW HAMPSHIRE BANKERS ASSOCIATION puts on a concerted drive to enroll 55,000 checking account customers in a new plan developed by that organization and approved by the Treasury. A letter and purchase order form was addressed to each customer on the first of the month, pointing out the advantages of buying bonds and fulfilling pledges through a simple method of authorizing periodic deductions from account balances.

Charles N. Bachelier, president of the association and vice-president of the Dartmouth National Bank, Hanover, says his Association is the first to attempt such a mass program. Forms and experience data have been submitted to the Treasury with the idea that they may, in turn, be offered and recommended to other state organizations. It is a tangible selling device that has worked out very successfully.

### Buy a Bomber

HERE'S THE WAY the "Buy-a-Bomber" campaign worked for Port Arthur, Texas: The presidents of the FIRST NATIONAL BANK and the MERCHANTS NATIONAL BANK acted as co-chairmen of the local business and professional group organized to sponsor the city-wide drive. A goal of \$278,000 was set for a 15-day period; and if it was attained the War Department agreed to name a bomber "The City of Port Arthur." With this incentive widely publicized, townspeople topped the goal in the first two days of the campaign with a score of \$300,000. In the 15-day period Port Arthur banks and the post office sold \$514,000 bonds.

### Habit

THE COLONIAL TRUST COMPANY of Pittsburgh, one of the pioneer banks in the consumer credit field, recently gave impetus in a new way to the Government's War Bond selling through a direct mail campaign to induce the bank's thousands of consumer credit customers to devote their regular monthly payment habit to bond purchases, after their present obligation had been paid.

All customers who are making their last payment on a personal loan, an appliance loan, an automobile loan, etc., and those who have recently completed payments on these loans, receive a letter from C. A. McClintock, president, pointing out what they have been able to accomplish by regular monthly payments and urging them to use this same regular deposit machinery to help them carry out their pledges to buy War Bonds.

The letter offers to open special War Bond accounts for the customer of the savings department, where they can deposit \$12.50 a month for six months and get a \$100 bond, or make some other deposit and get a bond proportionately larger or smaller.

### Directory

MISSISSIPPI VALLEY TRUST COMPANY issues a directory of the public air-raid shelters now ready to accommodate

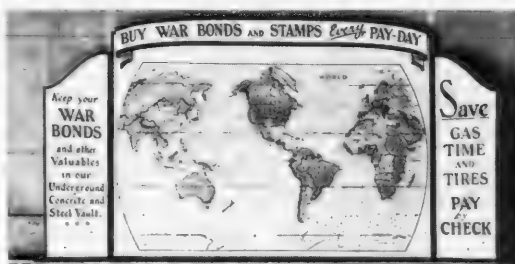


**HERE THEY COME**

TOKENS FOR TOKIO—20 Mighty U.S. Bombers Made Possible by \$5,000,000 War Bonds Purchased through the First Trust!

Did you help buy them? Are 10% of your dollars joining the rollers every pay day? If not, now is the time to start. YOU can help raise the billion dollars needed every month. We must not fail our fighting men with "Too little. Too late". We must ALL sacrifice a few luxuries and back our boys with billions. It's little enough when we merely loan the money to Uncle Sam. Start TODAY to BUY MORE BONDS.

First Trust & Deposit Company of Syracuse and Baldwinsville, New York, carries a dynamic message in this War Bond ad



BUY WAR BONDS AND STAMPS Every PAY-DAY

Keep your WAR BONDS and other Valuables in our Underground Concrete and Steel Vault.

Save GAS TIME AND TIRES PAY CHECK

The Plainfield (N. J.) National Bank appeals to an increasingly map-conscious citizenry to buy War Bonds regularly

Five Burlington, Vermont, banks emphasize the need of systematic War Bond buying by a few "victory" headlines



War Ships and Planes  
Blat U-Boats  
Tokyo Bombed  
Big U. S. Force Arrives  
In Ireland With Tank Unit  
Japan's Great Invasion  
Armada Is Smashed

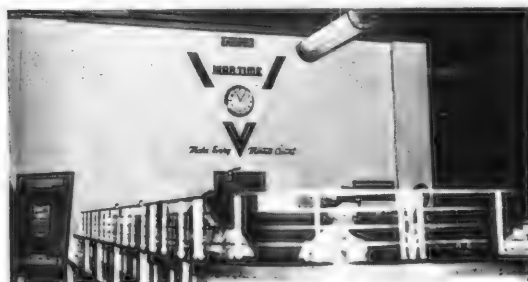
These are the headlines we like to read. Your purchases of War Bonds help our boys to make them.

Put your dollars in uniform by making every pay day BOND DAY

SAVE systematically out of INCOME



Youngsters buying stamps at the special 25th anniversary counter of the Bankers Trust Company, Des Moines



First National Bank, Palm Beach, dramatizes "War Time" with tri-color "V" and slogan "Make Every Minute Count"

In Bristol, Tenn.-Va., General Julius Howell, 96, *left*, former commander of United Confederate Veterans, and, *right*, former Tennessee Governor John I. Cox, 84, watching their granddaughters, *center, background*, sell War Bonds to Calvin Ward, holder of Congressional Medal of Honor, the French Croix de Guerre with palm, and the Belgian Croix de Guerre for heroism in World War I, and Mrs. E. H. Kabler, mother of Lt. Com. William Kabler, Pearl Harbor hero. Banker A. E. Anderson, *left, background*, and Dr. Nat H. Copenhaver, Tennessee Legion commander, *right*, co-chairmen, War Bond Committee of Bristol



40,000 to 50,000 persons in the downtown area of St. Louis. The folder contains emergency suggestions and lists the shelters sectionally by street address. The local Civilian Defense office considered the folder of sufficient merit to request copies for the entire staff of more than 7,000 air-raid wardens. Other organizations and business firms have requested supplies for distribution. As far as is known this is the first such directory published independently by a bank.

### Anniversary Idea

WHEN THE BANKERS TRUST COMPANY of Des Moines first opened its doors in 1917 the nation was at war. Upon celebrating its 25th anniversary recently, the bank again adopted the war motif and keyed its birthday observance to a special War Bond promotion. For each \$1 purchase of War Savings Stamps, the bank offered a 25 cent gift stamp, pasted in an attractive album, and ready to start the saver on a program to buy a bond. Although handicapped by lack of traffic due to a half-holiday observed by retail stores, the net sales during the day totaled \$31,490—an average of more than one \$18.75 bond per transaction. Gift stamps totaling \$388.50 were given 1,554 customers. Picture at left.

Aside from the actual sales, general comment on the celebration was very favorable; everyone agreed that a War Stamp made a far more practical gift than some less significant anniversary memento.

### Directors' Fees

THE BOARD of directors of the SECURITY SAVINGS & COMMERCIAL BANK, Washington, set a good example. It unanimously adopted a resolution to convert all future directors' fees into War Bonds for the duration. The board meets twice a month and the amount now accumulating means a substantial boost to bond sales.

### Morale Builder

DETROIT HAS a committee engaged in soliciting MacArthur pledges under the slogan "I Will Do My Best." Noble D. Travis, chairman of the finance committee, and vice-president of THE DETROIT BANK, addressed a circular to the banks of Michigan inviting a statewide organization of the drive, with as many local chapters located in banks as possible. It is a non-partisan, non-profit group rallied to one specific cause—home front morale. It is a clearinghouse through which all organizations are invited to exchange ideas and participate in united activities designed to supplement the War Bond drive. Committee membership is identified by a Victory button bearing the "I Will Do My Best" slogan. This is given to all who sign the MacArthur pledge.

### Tenant Prospects

AFTER RECEIVING the 100 per cent employee enrollment certificate in the Treasury's payroll deduction program, the BLOOMFIELD (New Jersey) BANK & TRUST COMPANY struck what appears to be a timely idea. As landlord of a 14-story building with several thousand workers, the bank decided to extend its canvass office-to-office. The idea went over. Every tenant cooperated. Now the building has been awarded a certificate and is permitted to fly the coveted Minute Man Flag.

# Farm Land Price Trends

A FARM land price survey, instituted by the Agricultural Credit Department of the American Bankers Association, finds that on the basis of current activity and prices "there seems to be no need for concern over land inflation," although "the trend is now definitely upward."

Data are obtained periodically by the Department from a questionnaire sent to agricultural district bankers who report on farm land price trends in their states. Several other agencies, including the U. S. Department of Agriculture, are making continuous studies of land price trends; the plan used by the Association is mainly to check these data and to provide for Association members a survey that can be used as a guide in extending credit to farmers.

A summary of the survey says that while farm land is available for purchase, many of the A.B.A. reporters suggest the existence of a cautious attitude on the part of operator buyers.

"The majority of our correspondents in the East, the West North Central and the West South Central regions of the country reported an increase in the number of farm land transactions not to exceed 5 per cent; percentage increases in prices were principally in the 6-15 per cent grouping. The dollar increase in prices was from \$5 per acre up. The states in these groups have increased their cash income, 1941 over 1940, by 31.1 per cent.

"The returns point to very little activity and increased prices in the New England states.

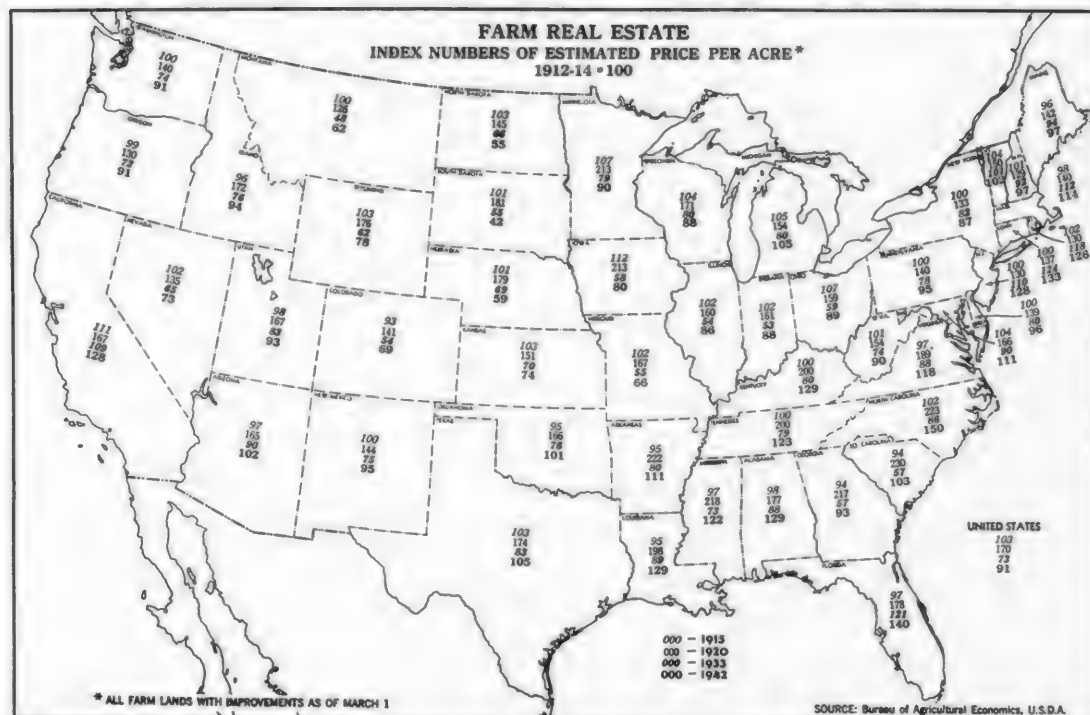
"The data from the Atlantic and Pacific seaboard indicate unusual situations: in the East from purchases of farm land by city dwellers and for the western combat zone by the evacuation of the Japanese.

"The information obtained in the A.B.A. survey is substantiated by an analysis of the trends in the index of farm land prices released by the Bureau of Agricultural Economics of the United States Department of Agriculture. According to this index, the 1942 farm land prices for the country as a whole are only 25 per cent above 1933 and roughly 89 per cent of the pre-World War I prices.

"In view of the moderate activity in turnover of properties and prices prevailing, it seems reasonable to assume that land values in the corn and Great Plains regions have not yet approached an inflationary position. The trend, however, is now definitely upward."

The A.B.A. questionnaire covers percentage increases in number of farm land transactions and price increases. and dollar increases in prices. The value of the surveys, says the Agricultural Credit Department, "arises from its utilization solely as an indicator rather than a detailed study."

The danger of inflation of land prices was recognized by the American Bankers Association in its manual "How Banks Can Assist in the Food-for-Freedom Program." In it banks are urged to discourage the purchase of farm land at inflated prices or the purchase of farm land with down payments that are too small.



# War's Effect on Trust Research

**T**HE war and conditions induced by the war have brought about major changes in trust research work, says Gilbert T. Stephenson, director of the Trust Research Department of The Graduate School of Banking, who, in the last five and a half years, has visited 160 cities in 42 states and the District of Columbia.

His program has had two main objectives: (1) the quest for trust information, and (2) the dissemination of useful facts to banks and trust institutions.

While the war situation will not drastically alter the main objectives of Mr. Stephenson's trust research, the preoccupation of bankers and business men with wartime responsibilities, bank personnel shortages, and civilian transportation curtailments require changes in methods of achieving his goal.

To find out more about how he hopes to advance his research studies under wartime conditions BANKING asked him a few questions. Here they are:

**WHAT** was your major peacetime trust research goal?

"In the first phase of the work—assembling trust information—prior to the declaration of war in 1939 I had been making a 12-year study, beginning as far back as 1927, of trust business or substitutes for trust business in the other civilized countries of the world.

"Just about the time war was declared, I had finished a 900-page book, 'Trust Business in Common Law Countries.' Meanwhile, I had been assembling material for a companion volume on 'Trust Business in Civil Law Countries.'"

Would you give us a simple differentiation of common law countries and civil law countries?

"Yes, I'd be glad to," Mr. Stephenson replied. "The term *common law* is employed most frequently to designate the basis law of English-speaking countries. It is in this sense that the term *common law* applies to my book. In Great Britain and in the United States, when a person speaks of the common law, he ordinarily uses the term in contradistinction to the civil law which is the system of law created by the genius of the Roman people and handed down by them to the modern world. Thus those countries that follow the civil law have inherited their system, either directly or indirectly, from Rome instead of England."

How were you collecting the data for your second book?

"Prior to the war," he responded, "I visited and studied in France, Germany, Denmark, Norway and Sweden. By correspondence I collected material from most of the other civil law countries, including Italy, Japan, and the Central and South American countries. In fact, I have made the original draft of several chapters on trust business in these civil law countries.

"One of the most interesting and significant of these was a chapter on Japan, which, about 1920, took over bodily our trust system by imitation, not adaptation. It had adopted a trust statute, it had trust companies and trust associations, it was developing such modern



Above, Mr. Stephenson talking with Elmira business leaders. Left to right, F. W. Swan, president, Chemung Canal Trust Company; W. T. Love, manager, National Cash Register Sales Office; E. R. Brown, secretary, Elmira Rotary Club; and Mr. Stephenson.

## "Flexibility Prime Factor In Drawing Up Will, Expert Tells Rotary Club"

*That is the headline carried by the Elmira (N. Y.) Star-Gazette in reporting Gilbert T. Stephenson's recent address before the Elmira Rotary Club. The newspaper's account of the meeting is quoted in part:*

*"To meet the unpredictable events which will follow the war, it is important to give a trustee authority to act freely in handling an estate. Do not straight-jacket him with instructions and prohibitions," the speaker said.*

*"Mr. Stephenson said he visited the Chemung County Surrogate's office prior to the luncheon and found that over a period of six years, beginning in 1936, only 58 per cent of the county's property holders died leaving wills, 42 per cent leaving none."*

services as the life insurance trust, and it was using Japanese translations of American trust books in its schools. Incidentally, I found it had translated into Japanese two of my books—'English Executor and Trust Business' and 'Life Story of a Trustman.'"

How has the war affected your study of the civil law countries?

"In 1939," replied Mr. Stephenson, "the war put an end abruptly to all further study. From now on for the duration my trust research work will have to be confined to the United States and Canada, more particularly to the United States."

Is there much ground yet to be covered here at home?

"Oh yes," he said. "While there are only six states, Alaska and Hawaii in which I have not done trust research work, there still remain 47 cities of 100,000 and over in which I have not done any work except in some of them to make an address on some trust subject."





This map depicts Mr. Stephenson's trust research travels in 5½ years and is an example of the manner in which the Association leaders carry their messages to the membership. With the cancellation of the annual convention, it is even more important that the work of organized banking be taken out to the banks of the country

*Would you outline one of your typical days under your present system?*

"Here's what I do when I get into a city: (1) I spend the morning in individual or group interviews with trust officers, executive officers, and directors (particularly members of the trust committee), discussing trust matters of special interest to the institution and spending some 30 minutes to an hour in each institution visited; (2) at a luncheon meeting I deliver a public address on some general subject before a local civic group; (3) during the afternoon I conduct a conference with staff members from the different trust departments on technical, administrative, and operative matters; and (4) at a dinner meeting I deliver an address on some special trust subject to such special audiences as officers, directors, and general counsel of banks and trust companies, bar associations, life insurance associations, or A. I. B. chapter forums. Occasionally during the afternoon I address a woman's club. Here are some figures that will give you a pretty good idea of a typical year's activities. From September 1, 1940 to August 31, 1941, I conducted 458 trust interviews, 72 trust conferences, made 116 trust addresses, and lectured at 18 law schools. I kept 664 engagements and reached 15,312 people."

**T**HAT is a record number of engagements for any man, but are you going to continue that pace in wartime?

"Indeed I'm not. From now on, because of the transportation problem as well as the absorption of people in war matters, I shall reduce to a minimum public addresses that would cause people to travel to and fro, except where there is a special request for them. Instead,

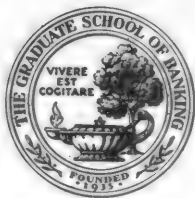
I shall concentrate on interviews and conferences. Under this setup my mornings and afternoons will be spent pretty much as heretofore. No publicity is to be given to my visit unless I am to make a public address.

"Preparatory for these interviews and conferences, I am doing trust research work to ascertain what effect the war is having upon trust business, what trust institutions should do during the war, and what they should do now to get ready for the post-war period.

"I hope to carry on both phases of trust research work for the duration and to adapt both phases to the necessities and proprieties of the demands and conditions created by the war."

*What contribution can the banks make to your wartime research activities?*

"As I have just said, we are doing trust research already to ascertain what effect the war is having upon trust business, what trust institutions should do during the war and what they should do now to get ready for the post-war period. As a supplement to the July-August Trust Bulletin, we are publishing a study, 'Trust Institutions in Wartime,' in the preparation of which trustmen in Canada and England and in the United States have collaborated. It is only by the exchange of experiences among bankers and trustmen in these three English-speaking countries that we shall be able to learn the effects of the war upon trust business and to plan for the post-war period. So when you ask what contributions can the banks make to wartime research activities, the answer is that for such research activities the Trust Research Department is dependent upon the cooperation of banks and trust companies."



# *The Graduate School*

## **CLASS OF**

<i>C. E. Adams</i>	<i>Francis L. Buswell</i>	<i>Ralph Michael Fox</i>
<i>Philip M. Adams</i>	<i>Joseph Gibson Byram</i>	<i>William Lovat Fraser</i>
<i>Herbert Ambler</i>	<i>Burrell W. Campbell</i>	<i>Chester Lewis Franklin Gable</i>
<i>William Lewis Amis</i>	<i>Carl Wendell Carey</i>	<i>Sherwood M. Gibbs</i>
<i>Paul N. Anderson</i>	<i>Estes A. Chancellor</i>	<i>Sheldon Forrest Goldthwait</i>
<i>Hubbel Stone Andrews</i>	<i>Charles N. Christiansen</i>	<i>Harlan Leighton Goodwin</i>
<i>Milton Andrews</i>	<i>Nephew King Clark</i>	<i>Walter Edward Griesmeyer</i>
<i>Russell John Apgar</i>	<i>Frank C. Cole</i>	<i>Earl Victor Guy</i>
<i>James L. Armstrong</i>	<i>Harold Douglas Cothrell</i>	<i>Edward William Gwinner Jr.</i>
<i>Robert N. Arthur</i>	<i>Herbert Stanley Croft</i>	<i>Donald Farlow Hagner</i>
<i>Eugene Wesley Austin</i>	<i>Reno C. Cromer</i>	<i>Alfred T. Hall</i>
<i>Charles M. Barclay</i>	<i>Roger Conant Damon</i>	<i>Arnold W. Hanson</i>
<i>Walter G. Barker</i>	<i>Bruce P. Dimon</i>	<i>C. Norton Hassenmiller</i>
<i>Robert Ayres Barnett</i>	<i>Victor S. Dixon</i>	<i>William Hayward</i>
<i>Herschel W. Barone</i>	<i>George J. Doll</i>	<i>George J. Heath</i>
<i>John Luther Bates</i>	<i>John A. Donlon</i>	<i>F. George Heidacher</i>
<i>Archie J. Battista</i>	<i>Stuart C. DuBreuil</i>	<i>Francis Payne Hereford</i>
<i>J. Frank Baumann</i>	<i>Hubert G. Duck</i>	<i>John Abbott Herron</i>
<i>Leon S. Benham</i>	<i>John Raymond Dunkerley</i>	<i>William H. Hoey</i>
<i>Henry Benner</i>	<i>William Thomas Dunn</i>	<i>John A. Hopkins</i>
<i>Edwin H. Biederman</i>	<i>George Robert Durang</i>	<i>Dwight W. Hostetter</i>
<i>Stanley W. Black Jr.</i>	<i>Charles B. Durdin</i>	<i>Donald F. Houser</i>
<i>Alex R. Blacklock</i>	<i>Gerald W. Edson</i>	<i>Burton Hulbert</i>
<i>John D. Boden</i>	<i>Harry J. Ellis</i>	<i>Dexter B. Johnson</i>
<i>Dale Brown</i>	<i>Berthel E. Espersen</i>	<i>Leon J. Kennedy</i>
<i>Hubbard G. Buckner Jr.</i>	<i>John Joseph Flynn</i>	<i>Clarence P. Kennett</i>
<i>Forrest C. Burchfield</i>	<i>Ray Foster</i>	<i>George I. King Jr.</i>
<i>Fred Burton</i>	<i>John Fox</i>	<i>Herbert E. Kirmmse</i>
		<i>William A. Kummrow</i>

# *School of Banking*

**S OF 1942**



<i>William Allison Kunc</i>	<i>Highland C. Moore</i>	<i>Leonard Edward Smith</i>
<i>Alfred H. Laning</i>	<i>Robert Willis Morey</i>	<i>Clifford C. Sommer</i>
<i>George H. LaPan</i>	<i>Charles H. Mount</i>	<i>Robert Moffatt Stephenson</i>
<i>John Dewey Larrabee</i>	<i>Thomas William Murdock</i>	<i>C. Judd Stewart</i>
<i>Henry E. Lee</i>	<i>Albert C. Murphy</i>	<i>Glenn E. Stone</i>
<i>Leonard Maurer Leick</i>	<i>Gordon Murray</i>	<i>Russel M. Storlie</i>
<i>William A. Lemke</i>	<i>Linwood O. Neal</i>	<i>Charles Albert Straborn</i>
<i>Elwyn S. Lewis</i>	<i>Stuart C. Nelson</i>	<i>Eugene Charles Stumm</i>
<i>Daniel M. Lucy</i>	<i>Carroll B. Niles</i>	<i>Clarence S. Sullivan</i>
<i>Roger Lee McConnell</i>	<i>Francis A. Ohleyer</i>	<i>Thomas Dudley Tarpley</i>
<i>Louis W. McFaul</i>	<i>John A. Ostrich</i>	<i>Leon Hugh Thomas</i>
<i>George E. McGregor</i>	<i>James T. Overbey</i>	<i>Charles H. Till</i>
<i>Norman Paul McGrory</i>	<i>Frederick Palmer Jr.</i>	<i>Raymond Erwin Torbet</i>
<i>Harold L. McKaig</i>	<i>Anthony F. Pepe</i>	<i>James Comegys Torrey</i>
<i>William M. McKenzie</i>	<i>W. Frank Phillips</i>	<i>Keith M. Urmy</i>
<i>William R. McLean</i>	<i>William Howard Pierce</i>	<i>Compton H. Usina</i>
<i>John Sullivan McMillan</i>	<i>Fred E. Pike</i>	<i>H. Stuart Valentine Jr.</i>
<i>Oscar T. Madsen</i>	<i>David James Pritchard</i>	<i>Joseph Valentine</i>
<i>Douglas Harrison Mallard</i>	<i>Carl Willard Pritchett</i>	<i>James F. Vanek</i>
<i>Clyde Albert Mallett</i>	<i>Harold Alonzo Ramsey</i>	<i>Elmer W. Warren</i>
<i>Richard D. Mange</i>	<i>Preston E. Reed</i>	<i>William Heisler Wells</i>
<i>J. Francis Mara Jr.</i>	<i>C. Henry Reinhardt Jr.</i>	<i>Herbert E. Widenhofer</i>
<i>Spencer Scott Marsh Jr.</i>	<i>Richard Hawks Renn</i>	<i>Walter H. Wightman</i>
<i>Erwin O. Meeb</i>	<i>James Edward Robertson</i>	<i>Berch Reid Wilhite</i>
<i>Robert Van Order Mellefont</i>	<i>Francis E. Robey</i>	<i>Fred Wilson</i>
<i>Branch E. Messick</i>	<i>Raymond L. Rogers</i>	<i>Martin M. Wojcio</i>
<i>Charles H. Mier</i>	<i>George O. Schweinhaut</i>	<i>Jack F. Wolf</i>
<i>Clinton L. Miller</i>	<i>Lloyd J. Shankle</i>	<i>Frank F. Young Jr.</i>
<i>Chester Francis Millhouse</i>	<i>Harold Mason Sherman Jr.</i>	<i>Walter J. Zaborowski</i>
<i>Wayne S. Minium</i>	<i>Frank Smathers Jr.</i>	

# ORGANIZATIONS AFIELD

## Cashiers Checks

THE KANSAS BANKERS ASSOCIATION has made some research into the effect of the recent Federal Reserve restrictions on the collection of U. S. postal money orders. Resulting from this research is a suggestion that this situation has opened up a splendid field for banks to sell cashiers' checks or drafts. The Kansans contend that the transfer of funds is a primary function of banks and that this is a real opportunity to get new business for the banks.

## Direct Collections

IN THESE DAYS when personnel problems are constantly arising, it seems wise to review customary procedures and install refinements whenever possible if it appears probable that a saving of time may be effected. With this in mind, a subcommittee of the bank management commission of the MASSACHUSETTS BANKERS ASSOCIATION made a study of a plan of direct collection of checks between groups of banks which was originated by the Federal Reserve Bank of Boston some time ago. An outline of operations was submitted to the membership last month. Information on the plan may be obtained from the Boston Federal Reserve Bank.

## Manual

NOW THAT the load has shifted from the typical peacetime convention of larger groups of bankers to the more intimate activities of local groups, one book will come in for some very intensive checking-up. The book "How To Run A Local Bankers Association," edited and published by the NEW YORK STATE BANKERS ASSOCIATION, is a manual of information for presidents of county and clearinghouse groups covering every point of pre-tested management to the running of meetings. It is, in fact, a check list of things to do. The booklet is being used by one college as a reference work, and one other bankers association obtained permission to use the material under the imprimatur of their public relations committee.

## Safe Deposit

GEORGE F. PARTON, president of the NEW YORK STATE SAFE DEPOSIT ASSOCIATION and president of the Standard Safe Deposit Company, New York City, announces the appointment of a standard practice committee under the chairmanship of Roswell D. Regan, general manager, National City Safe Deposit Company, New York City.

One of the purposes of the committee is to distribute without charge among all organizations in the safe deposit business in the state a short series of outlines of procedure and policies with the ultimate aim of establishing greater uniformity of practice.



A past presidents' dinner was a feature of the 1942 convention of the Virginia Bankers Association at Roanoke. Clockwise around the table: M. R. Morgan, T. H. Blanton, W. F. Augustine (past secretary), W. S. Irby, T. D. Neal, present secretary-treasurer, F. G. Lenz, C. S. Carter, G. H. Miller, J. S. Brown, S. H. Plummer, and C. L. Robey

## Operating Ratios

THE MISSOURI BANKERS ASSOCIATION recently issued its 1941 study of operating ratios for: (1) All Missouri banks; (2) state bank members of the Federal Reserve; (3) national banks; (4) nonmember state banks of the Federal Reserve. The current survey carries a blank page opposite each tabulation, which the management committee suggests for individual notation of comparative ratios to be preserved as a permanent bank record. It further urges discussions on this pertinent subject at planned meetings by county and inter-county associations.

## Holidays

FURTHER CURTAILMENT of banking holidays was announced recently by the KENTUCKY BANKERS ASSOCIATION. For the duration "Blue Grass" bankers will observe only July 4, Labor Day and Christmas. This limitation has been written into state legislation.

## Salvage

ANOTHER INSTANCE of state-wide cooperation in wartime drives, illustrating the tremendous effect of ideas and programs initiated by state secretaries, was demonstrated during the scrap rubber salvage campaign. In behalf of WPB, ILLINOIS BANKERS ASSOCIATION addressed a letter to the membership outlining the importance of publicizing the drive and requested each institution to contact customers and the public soliciting their participation. Practically every Illinois bank carried an ad something like this: "Have you any old scrap rubber lying around? Turn it in and help win the war."



## War Effort

THE WESTERN MORRIS PLAN BANKERS ASSOCIATION last month called a special clinic to draft a program of more complete cooperation in the war effort. The agenda stripped of all activity unrelated to furthering war aims focused on these points: (1) Means of doubling the impressive War Bond sales total which already exceeds \$11,000,000; (2) interpreting the role of the installment banker in financing the essential needs of people in the war economy as well as small businesses engaged in war production contracts; (3) problems confronting installment bankers as a result of Regulation W.

## Standardization

IN THE interest of good banking—and wartime economy—much greater emphasis is being given to uniformity of operations and management. Joining those state groups which have made much headway toward this end, the PENNSYLVANIA BANKERS ASSOCIATION publishes the results of a form standardization study by its Bank Management Committee "Standard Pennsylvania Banking Forms." This 55-page volume illustrates and discusses briefly 29 recommended forms

covering all phases of commercial, savings, trust and safe deposit, and then presents the standard text which the committee and its counsel suggest for member institutions. All of the material contained in the book was designed primarily for Pennsylvania banks with full consideration of local practices and State laws.

## New Employees

THE FINANCIAL ADVERTISERS ASSOCIATION issues an interesting and timely report on one of the most vital of current public relations problems: What is being done to educate the "civilian army" of new bank employees.

A selected group of banks were queried on what they were doing to inform new employees about the bank, its functions, the part it plays in business and the community, about attitudes in relations with customers. A résumé of replies develops a typical educational program along these lines: (1) Periodical employee clinics; (2) distribution of "Handbook on Banking"; (3) participation in A.I.B. educational classes; (4) intimate training for specific jobs; (5) informative lectures based on A.B.A. booklet series "Building Business for Your Bank."

## Meet the State Secretaries



New Jersey's  
Armitt H.  
Coate

ARMITT is now rounding out his 15th year as secretary of the N.J.B.A., so this tidbit biography will not pose as an introduction—merely a refresher.

Previous to his appointment as secretary he served five years on the executive committee, state association resolution committee, and had headed both the education and membership committees as well as twice running the convention show.

In 1921 he was particularly active in organizing the county bankers associations throughout the state, serving as charter member, president and secretary of his home-county group for seven years.

Before being commissioned in the Army in World War I, he headed welfare and Liberty Loan drives, and was an examiner for the Third District Federal Reserve.

On him devolves a heavy duty at all times. He has served on the committee of state legislation, now representing his home town, Trenton. He went through the chairs of the State Secretaries Section, A.B.A., and completed his term as president in 1941. He helped organize, and is now secretary of the N.J.B.A. Pension Fund, Inc., considered one of the best in the country.



California's  
Lauder W.  
Hodges

OUR SMILING subject could hail from no other section than California. This native son was brought up at Stanford University, some 30 miles south of San Francisco.

He boasts an A.B. Stanford, 1921, and an LL.B. parchment from Columbia University Law School, 1924.

After practicing law in New York City with the well-known firm of Satterlee and Canfield, Lauder returned, as all sun-kissed natives do, to his first love, California, where he hung out his shingle and specialized in banking and corporation problems.

When the Federal Reserve banks were first authorized to make "industrial advances," he became attorney for the San Francisco Reserve bank in connection with these loans. In 1936, when the California Bankers Association was organized, he became executive manager.

The job he has done on the West Coast is widely known. His association has made outstanding achievements in public relations, legislation, group organization, agriculture and general war effort support.

Mr. Hodges is second vice-president, State Secretaries Section, A.B.A., and chairman of its forms committee.

## PICTURE LOG—Education . . . Elections . . . Awards . . .



Commencement scene at the close of the eighth resident session of The Graduate School of Banking at Rutgers University. Graduates, at left, in white, numbered 174

GABRIEL



DAGUERRE

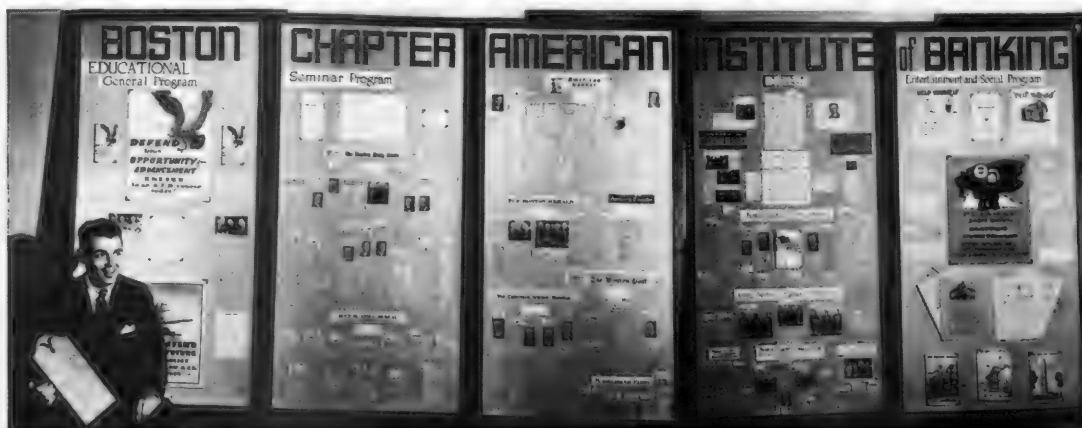


BLANK & STOLLER

JAY N. WHIPPLE, partner, Bacon, Whipple & Company, Chicago, *above, left*, has been nominated for president, Investment Bankers Association of America . . . CHARLES A. MULLENIX, president, The Cuyahoga Estates Company, Cleveland, *center*, has been nominated for president, Mortgage Bankers Association of America . . . J. W. STEINMETZ, Philadelphia, *right*, has been elected 1942-43 president, Robert Morris Associates

★ ★ ★

At the American Institute of Banking's convention in New Orleans certificates of merit for outstanding chapter publications were awarded to Los Angeles, Houston and Elizabeth chapters, while Boston, Richmond and Anthracite chapters won plaques for the best publicity displays. *Below*, Horace Danforth receiving the award for Boston chapter



## State Conferences . . . A USO Luncheon . . .

William F. Miller, president, Kentucky Bankers Association, of Louisville, is speaking from the floor at the Kentucky Bankers Conference. Roger W. Adams was toastmaster



MILWAUKEE JOURNAL PHOTO

Wisconsin Bankers Association celebrated its 50th anniversary in Milwaukee in a "Gay Nineties" setting. Above, left, clerks and receptionists, including a cop, in the Hotel Schroeder lobby . . . Right, a bank interior of the 1892 vintage lent atmosphere. Left to right, A. B. A. President H. W. Koenke, Henry Steeps, retiring president of the WBA, and G. O. Thorpe of Chippewa Falls

★ ★ ★

To boost USO subscriptions, a committee of A. B. A. girls, headed by Miss Antoinette Byrne, assistant secretary, organized a staff cafeteria-style luncheon at Association headquarters, which yielded \$140. Below, left, lunchers being served during the noon hour; right, left to right, Economist Cadman, President and Mrs. Koenke, Consumer Credit Manager French, and Executive Manager Stonier enjoying the luncheon



# State Association Presidents

1942-1943



WEST VIRGINIA—Homer Gebhardt, Huntington



TEXAS—P. D. Doty, Beaumont



CONNECTICUT—R. S. Walker, Waterbury



TENNESSEE—Bradley Currey, Chattanooga



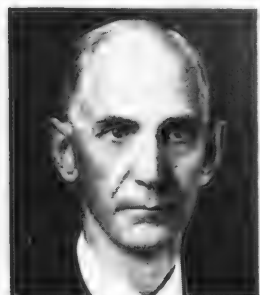
MARYLAND—S. L. Brown, Upper Marlboro



OREGON—A. L. Powers, Portland



MASSACHUSETTS—L. R. Connor, Pittsfield



UTAH—Alex Hedquist, Provo



ARIZONA—S. S. Shattuck, Bisbee



WISCONSIN—G. O. Thorpe, Chippewa Falls



MICHIGAN—G. S. Collins, Negaunee



WASHINGTON—Reno Odlin, Tacoma



NORTH DAKOTA—J. O. Milsten, Belfield



COLORADO—A. F. Cruse, Steamboat Springs



SOUTH DAKOTA—H. N. Thomson, Presho



## A.B.A. to Hold Its 1942 Convention in "BANKING"

### Second Book of Paton's Digest Is Nearly Ready

#### Mailing Date Will Be About Sept. 1

Volume II of Paton's Digest of Legal Opinions, published by the American Bankers Association, will be ready for mailing about Sept. 1, according to Richard W. Hill, secretary of the Association.

A staff of lawyers and editorial assistants have devoted their entire time to the preparation of the third edition of Paton's Digest. Cases cited in the opinions appearing in the 1926 edition have been reexamined; reversals, modifications, and affirmative judgments have been included.

Uniform statutes recommended for adoption and other legislation affecting banking, adopted since 1926, appear in the revised edition.

Volume I, completed about a year ago, covers these general topics: acceptances; accommodation paper; altered and raised paper; attachments, execution, and garnishment; bank personnel; bankruptcy and insolvency; banks and banking; bills of lading; certificates of deposit; certification; chattel mortgages; checks; and clearing houses.

Contents of Volume II include: collection; corporations and corporate stock; crimes; deeds; deposits; drafts; forged paper; government and municipal securities; guaranty and suretyship; holders in due course; holidays; indorsement and indorsement; insurance; inter-

(Continued on page 93)

### War Insurance On Intangibles Expected Soon

#### A.B.A. Committee Offers Suggestions

War risk insurance protecting banks against losses in money and securities as a result of air raids or other enemy action, or defense operations of the United States armed forces, will probably be made available soon by the War Damage Corporation, according to the Insurance and Protective Committee of the American Bankers Association.

A letter sent by the committee to the Association's membership suggested that banks interested in war damage insurance should consult insurance brokers and agents who will prepare applications for policies.

#### Mortgagors Insure

Financial institutions in the coastal areas and other regions are requesting mortgagors to apply for and carry WDC insurance on mortgaged real estate, the letter stated.

"Whether mortgagees have the right to compel mortgagors to pay for such insurance depends upon the wording and intent of the mortgage agreement," it said.

Should mortgagors decline to carry WDC policies, the committee pointed out, Rule 10 of the regulations provides banks with an opportunity to protect their mortgage interests.

"Under this rule, banks and other financial institutions may

(Continued on page 93)

### September Issue of Magazine to Bring Banks Discussions of Type Scheduled For the Cancelled Meeting at Detroit

The 1942 convention of the American Bankers Association is to be held, so far as possible, in the September issue of **BANKING**.

When cancellation of the regular convention, which was to have been held at Detroit, was voted by the Administrative Committee in accordance with the request of the Federal

transportation authorities, President Henry W. Koenek assured the banks that the Association's contact with its members would be maintained through the extension of other types of meetings and activities.

"One of these," Mr. Koenek recently wrote the membership, "was submitted by the executive manager [Dr. Harold Stonier] to the student body of The Graduate School of Banking in session at Rutgers University on June 25. It was a plan whereby the members of the Association might still have the benefit of such discussions as might be expected at the convention if it were held.

"Under this plan the discussions will be carried on in the September issue of the Association's magazine **BANKING**, which will be known as the convention number.

"It is desired that every member institution participate. To that end, we invite you to send, by return mail if possible, the questions that you would like to see discussed in **BANKING**'s September Convention Issue. Send as many as you like. While we may not be able to treat all of them, we hope by this means to develop a convention type of issue, the contents of which will discuss the most important questions before banks at this time.

(Continued on page 93)

### Six Hundred New Members For the Association

Six hundred new members were obtained by the American Bankers Association in the first nine months of the A.B.A. year. The total for the month of June was 26.

The membership records show that for the second time Maryland, whose state vice-president is Thomas E. McConnell, had the best monthly record with five new members in June, giving that state a total of 28 during this year.

Wisconsin, where Max Stieg is state vice-president, produced four new members, a total of 19 for the year to date. Arkansas, E. P. Pyeatt, state vice-president, added three members, giving it 17 for the year and bringing it within seven banks of 100 per cent Association membership.

#### War Production Loans

Additional copies of A.B.A. Special Bulletin No. 85, on war production loans, compiled by the Bank Management Commission, which explains and interprets Executive Order No. 9112 and Regulation V, are available to banks on request.

## G.S.B. Graduates 174 to End 8th Year at Rutgers

### School Now Has 1,005 Alumni

One hundred and seventy bank officers, three bank examiners and one state banking commissioner, representing institutions in 37 states, were graduated at the commencement exercises marking completion of the eighth year of The Graduate School of Banking conducted by the A.B.A. at Rutgers University, New Brunswick, New Jersey.

The new alumni completed a course requiring two years of extension work at home and three sessions of two weeks in residence at Rutgers. During the 1942 resident sessions 542 bank officers were students at the school.

#### 1,005 Alumni

Since the inception of the school in 1935, including the 1942 graduates, 1,005 bank officers have received the Graduate School diploma.

The theses of these men, a requirement for graduation, represents much original research on banking subjects. Upward of 300 of the theses are available to bankers of the nation through the American Bankers Association library.

A new cumulative catalogue is being compiled of the available theses which will give a brief synopsis of each of the diversified subjects covered by the students.

#### 1942 Commencement

The 1942 commencement address was delivered by Dr. Clark G. Kuebler, assistant professor of classics at Northwestern University.

Diplomas were presented by Dr. Lewis E. Pierson, chairman of the board of regents of the school, former chairman of the board of the Irving Trust Company, New York City, and now New York Down-  
State Chairman of the War Savings Staff of the U. S. Treasury Department.

## "Training for Victory" Rallies Are Planned by A.I.B. for New Employees

David E. Simms, president of the American Institute of Banking, is asking senior bank executives to assist their local chapters in enrolling new bank employees in Institute classes this Fall to provide the banks with adequate trained personnel to replace the large number of employees being absorbed into the armed services and war industries.

"This year, more than ever before," Mr. Simms said, "the banks need the education facilities of the Institute to help train their employees to man the financial forts so essential to the successful prosecution of the war. In recognition of the trained personnel shortage of the banks, the Institute is attempting to expand its usefulness in several fields of activity.

"To give impetus to the membership and class enrolment campaign this Fall, we are suggesting that 'training-for-victory' rallies that will attract both old and new employees be held wherever possible."

The Institute's 1942 advertising program for chapter use emphasizes the banks' urgent need for skilled personnel.

It is anticipated, Mr. Simms said, that intelligent use of the advertising material will build employees' acceptance of the need for thousands of trained men and women for bank jobs.

and that this, together with the use of the rally technique, employed so effectively to enlist men and women for other urgent wartime projects, will complete the selling job necessary to enroll bank employees in the educational courses of the A.I.B.

#### Plan Not Rigid

"It should be understood," Mr. Simms added, "that the 'training-for-victory' plan is not rigid and that it should be modified to conform to local conditions. Rallies can take one of two forms: (1) a single meeting of all the new employees in all the banks of district, or (2) separate meetings held by each bank. Individual bank meetings are suggested for chapters in large metropolitan districts, particularly in those cities where each bank has a large staff of new employees and where it would be difficult to bring all employees to a central meeting place.

"The 'training-for-victory' rally appeal must be patriotic, vigorous, and direct," Mr. Sims said in conclusion. "New employees must be made to feel that the nation needs trained bank employees and that they are being singled out as desirable recruits for special training that will enable them to occupy a more important place on the financial front



David E. Simms

and at the same time render needed service to our country."

Further information on how to plan a "training-for-victory" rally may be obtained by writing: National Headquarters, American Institute of Banking, 22 East 40th Street, New York City.

### Dick Hill Gets Honorary M.A.

An honorary degree of master of arts was conferred on Richard W. Hill, registrar of The Graduate School of Banking of the American Bankers Association, at the G.S.B. 1942 commencement exercises at Rutgers University.

Robert C. Clothier, president of Rutgers, in conferring the degree upon Mr. Hill, read the following citation:

"Over the years you have rendered distinguished service as author, editor and practitioner in the field of law. You have conscientiously discharged the duties inherent in your position as a public official of the City of New York. Throughout your long and fruitful career you have displayed unusual talent in business and educational administration. In recognition of these achievements and as a personal tribute to you I am authorized by the trustees of Rutgers University to confer upon you, *honoris causa*, the degree of master of arts."

Mr. Hill has been registrar of The Graduate School of Banking since its inception in 1935. He was national secretary of the American Institute of Banking for 22 years, and has been secretary of the American Bankers Association since November 1, 1937.

Norman C. Miller, left, Director, University Extension Division, Rutgers University, bestows the Master of Arts hood on Richard W. Hill. Dr. Robert C. Clothier, right, Rutgers president, hands Mr. Hill the honorary degree



## 21,000 Copies of Economic Policy Report Sent Out

More than 21,000 copies of "Treasury War Borrowing and the Banks" have been distributed by the American Bankers Association since the booklet was published last Spring.

This pamphlet is the report of the Economic Policy Commission, submitted at the meeting of the Association's Executive Council in April. In its preparation the Commission had the cooperative aid of the A.B.A. Research Council, the Committee on Federal Fiscal Procedures of the Reserve City Bankers Association, and many individual bankers.

The Commission announces that copies of the report are still available at its offices, 22 East 40th Street, New York.

## A.B.A. Librarian Made Group Head

Miss Mary P. McLean, librarian of the American Bankers Association, has been elected chairman of the financial group of the Special Libraries Association.

The vice-chairman is Miss Pamela Williams, librarian, Federal Reserve Bank of Minneapolis, and the secretary-treasurer is Miss Margaret Siegmund, librarian, Bankers Trust Company, New York. The elections took place at the association's recent Detroit convention.

## A.I.B. Conferences

Several American Institute of Banking chapter officers' conferences for the exchange of ideas in laying the groundwork for the year's work are scheduled.

The Fourth District conference in Columbus, Ohio, Aug. 7-8; New Jersey, in Morristown, and the Northern California, Aug. 8; Southeastern, in Nashville, Aug. 22; and West Virginia, in Huntington, Sept. 12.

Southern California and the Northwest District conferences were held late in July.

## A.I.B. Committee Chairmen

Appointment of chairmen and members of the national committees of the American Institute of Banking is announced by David E. Simms, A.I.B. national president, who is acting assistant manager of the Salt Lake City branch, Federal Reserve Bank of San Francisco.

The committee chairmen are: Budget, George T. Newell, New York City; chapter administration, P. A. Doyle, Oakland; debate, William T. Dunn, San Francisco.

Departmental conference, Edward F. Gee, Richmond; educational advisory, C. Edgar Johnson, Chicago; forum and seminar, George E. Levine, Providence, R. I.

Membership and enrolment, Harper R. Clark, Baltimore; nominating, William C. Way, Cleveland; program, David L. Colby, St. Louis.

Publicity, Anne J. Erste, Cleveland; public relations, John D. Arthur, Cleveland; public speaking, George A. Rogers, Boston; research, G. Fred Berger, Norristown, Pa.; transportation, William C. Pitner, Chattanooga; women's committee, Marion G. Rehffus, Philadelphia.

## War Insurance on Intangibles

(Continued from page 91)

purchase blanket coverage to protect their interests in real estate mortgages, chattel mortgages held as collateral to consumer credit loans, and other property constituting collateral for commercial loans," the letter said.

### Committee Conference

Although money and securities of banks are specifically excluded from insurance coverage under present regulations, the committee stressed the likelihood that insurance of these intangibles would be made available by the WDC as soon as conferences between representatives of the committee and the corporation's officials were concluded.

## F.A.A. to Have "Convention by Mail" As Substitute for Chicago Meeting

The Financial Advertisers Association has cancelled its 27th annual convention which was scheduled for Chicago, Oct. 26-28.

The association, said President Victor Cullin, is making plans to substitute a "convention by mail." The arrangements committee is working on a method to permit the membership to have the benefit of a program equivalent to the one planned for Chicago.

The decision to cancel was taken by the association's executive committee. The announcement said:

"A number of factors led to our decision which is actually a consensus of our membership. First, of course, is the request of Defense Transportation Coordinator Eastman that con-

vention travel be reduced.

"Beyond that is the fact that the nearly 700 members of our association are the men and women who are directing the greatest part of the tremendous advertising and sales promotion campaign being conducted by the banks of the country to sell War Bonds and Stamps.

"Nothing must interfere with the continuation and expansion of this program through which the banks have been responsible for 85 per cent of all War Bond sales.

"This program, plus the supplementary activity of our banks working with industry in war production, with agriculture in a Food-for-Victory campaign, and similar war efforts, leaves too little time for travel or meetings."

## A.B.A. Convention To Be in 'BANKING'

(Continued from page 91)

questions in which bankers are most interested,—indeed, such questions as might have been planned for Detroit."

The A.B.A. staff is now at work on the September issue. In addition to the discussions, by experts, of the practical questions confronting commercial and savings banks, and trust institutions, there will be articles by several prominent writers. These will be of a broader, more general nature, providing a background for the practical material.

Pictures will be used liberally throughout the issue.

The staff plans to do everything possible to make the September number of *BANKING* as useful a convention substitute as paper and printer's ink can provide.

## Accounts Receivable Manual Is Coming

The Accounts Receivable Manual being compiled by the Consumer Credit Department of the American Bankers Association will be ready for distribution within the current month.

## Paton's Digest Nearly Ready

(Continued from page 91)

est and usury; legal proceedings; legal tender; letters of credit; libel and slander, and liens.

Volume III, which it is anticipated will be ready for distribution in about a year, will cover: loans and investments; lost and stolen paper; mortgages; negotiable instruments; notaries; notes; notes and acceptances payable at bank; overdrafts; pledge and collateral; presentment, protest, and notice; property; safe deposits and safekeeping; set-off; stopping payment; taxation; trust receipts; trusts, estates, and wills; and warehouses and warehouse receipts.

The price for the complete digest is \$30, but the volumes are being made available at \$10 each as they are published by the Association.

## Two A.B.A. Majors

William P. Bogie, formerly assistant editor of *BANKING*, and Floyd W. Call, formerly an assistant in the A.B.A. Consumer Credit Department, who entered the Army 18 months ago as captains, have been commissioned majors.

## A.B.A. Survey Reveals General Rise in Earnings of State Banks for 1941

Total earnings of state banks doing a commercial banking business were larger in nearly all states in 1941, according to the eighth annual survey of earnings and expenses of the State Bank Division of the American Bankers Association.

Net earnings also increased in most states during 1941, notwithstanding generally higher operating expenses. After recoveries and charge-offs, more than three-fourths of the reporting states showed larger net profits in 1941 than in 1940.

Due to the variation of states reporting from year to year, the total yearly figures of combined states are not comparable.

Net profits increased during 1941 in all of the twelve central states; of the 13 southern states reporting both years, net profits rose in all but one state, Florida; in the seven mountain states, increased net profits were shown in three states and decreases in Arizona, Idaho, New Mexico and Utah; of the four Pacific states, net profits were larger in 1941 in all but California; in the three eastern states reporting both years, net profits rose in Delaware but declined in New York and Pennsylvania; and in New England net profits were higher in Connecticut, Massachusetts, New Hampshire and Rhode Island in 1941, but lower in Maine. A net loss was shown in Vermont.

### Gross Earnings

The 8,513 state banks engaged in commercial banking

business in 47 states reported total gross earnings of \$792,073,000 for the 12 months ending Dec. 31, 1941. Their operating expenses in 1941 totaled \$561,485,000, resulting in net current earnings of \$230,588,000 before recoveries and charge-offs.

The percentage of net earnings to gross earnings rose to 29.1 per cent compared with 29.0 for 45 states in 1940.

### Gross Losses

Gross losses on loans, securities, etc., in 1941 amounted to \$170,641,000. After deducting recoveries on loans and investments of \$126,412,000, net losses for 1941 were \$44,229,000, or 5.6 per cent of gross earnings, compared with 2.7 per cent in 1940. In Arkansas, Idaho, Maryland, Montana, Nebraska, Nevada, New York, North Carolina, Oregon, Washington and Wyoming, gross losses for the year were entirely wiped out by recoveries and an excess of recoveries over losses shown.

### Net Profits

Net profits after recoveries and charge-offs, but before dividends, for 1941 amounted to \$186,359,000, or 23.5 per cent of gross current operating earnings against 26.3 per cent in 45 states in 1940.

After the declaration of cash dividends of \$105,451,000, net profits in 1941 were reduced to \$80,908,000, or 10.2 per cent of gross earnings, compared with 12.6 per cent in the year 1940.

## Last Month

A résumé of the annual A.B.A. report on resources and liabilities of state banks appeared in the July issue of BANKING.

### Source of Earnings

Interest and discount on loans accounted for 48 per cent of gross earnings of state banks engaged in commercial business in 47 states in 1941, while interest and dividends on securities contributed only 27.8 per cent.

"The proportion of income from loans has been increasing during the past two years due to the larger volume of loans, but the proportion of income from securities has decreased, reflecting the lower rates of return," the survey reports. "Higher gross earnings from loans than from investments were obtained during 1941 in each reporting state."

In terms of dollars for each \$100 of deposits, gross income on loans in 1941 ranged between \$3.79 in Oklahoma and 63 cents in New York, averaging \$2.10. Gross income on investments, ranging between \$1.36 in Rhode Island and 42 cents in Wyoming, averaged 71 cents. These 1941 averages compare with \$2.23 from loans in 1940 and 82 cents from investments.

The net income on loans (gross income minus gross loss on loans) in 1941 ranged between \$3.55 for each \$100 of deposits and 52 cents, averaging \$1.90, compared with the net income on securities which ranged between 94 cents and a net loss of 52 cents and averaged 51 cents.

## Earning Rates on Loans and Investments

The average rate of gross income earned from interest and discount on loans for each \$100 of loans and investments of state banks in 47 states increased from 5.3 per cent in 1940 to 5.4 per cent in the year 1941.

The average gross rate of return from interest and dividends on securities per \$100 of investments was lower in 1941, amounting to 2.5 per cent, in comparison with 2.9 per cent in 1940.

### Expenses

Total expenses in 1941 amounted to 70.9 per cent of gross earnings, against 71.0 in 1940. The lower proportion of expenses during 1941 was attributable to the decline in interest paid on deposits and on borrowings.

However, of the 45 states reporting in both 1940 and 1941, total expenditures actually increased in 41. Reductions in expenses in 1941 were reported in Idaho, Kentucky, New Hampshire and Vermont.

The proportion of total gross earnings paid by state banks for interest on deposits declined further in 1941, averaging 12.0 per cent, compared with 13.6 per cent of earnings in 1940.

Salaries and wages of officers and employees in 1941 averaged 30.7 per cent of gross earnings. This slight decline in 1941 from the average of 30.8 per cent in 1940 was probably due to the employment of new personnel to replace bank officers and employees who have entered the armed services, the survey says.

## CONVENTIONS

*Because of the war and special conditions prevailing at this time the dates of meetings are subject to change.*

### State Associations

- |           |  |
|-----------|--|
| Sept. 6-9 | Iowa, Ft. Des Moines Hotel, Des Moines |
| Oct. 12   | Vermont, Hotel Vermont, Burlington     |

### Other Organizations

- |             |  |
|-------------|--|
| Sept. 2-5   | Virginia Bankers Conference, University of Virginia, Charlottesville                     |
| Sept. 10-12 | Savings Banks Association of Maine, Mount Washington House, Bretton Woods, New Hampshire |

- |                 |  |
|-----------------|--|
| Sept. 23-25     | Savings Banks Association of State of New York, The Waldorf-Astoria, New York City     |
| Sept. 30-Oct. 2 | Mortgage Bankers Association of America, Edgewater Beach Hotel, Chicago                |
| Oct. 8-10       | National Association of Bank Auditors and Comptrollers, Hotel Roosevelt, New York City |
| Oct. 21-22      | Savings Banks Association of Massachusetts, Hotel Statler, Boston                      |
| Oct. 26-28      | Financial Advertisers Association, Edgewater Beach Hotel, Chicago. Cancelled           |



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So in the production of these and the other weapons on which we depend for our freedom. Industrial Teamwork within each war industry and with others is responsible for the output records the nation's plants are making each week. An integral and vital part of this teamwork is Insurance, the industry that protects other industries—reducing accidents, cutting financial worry, assuring continued speedy production all along the line.

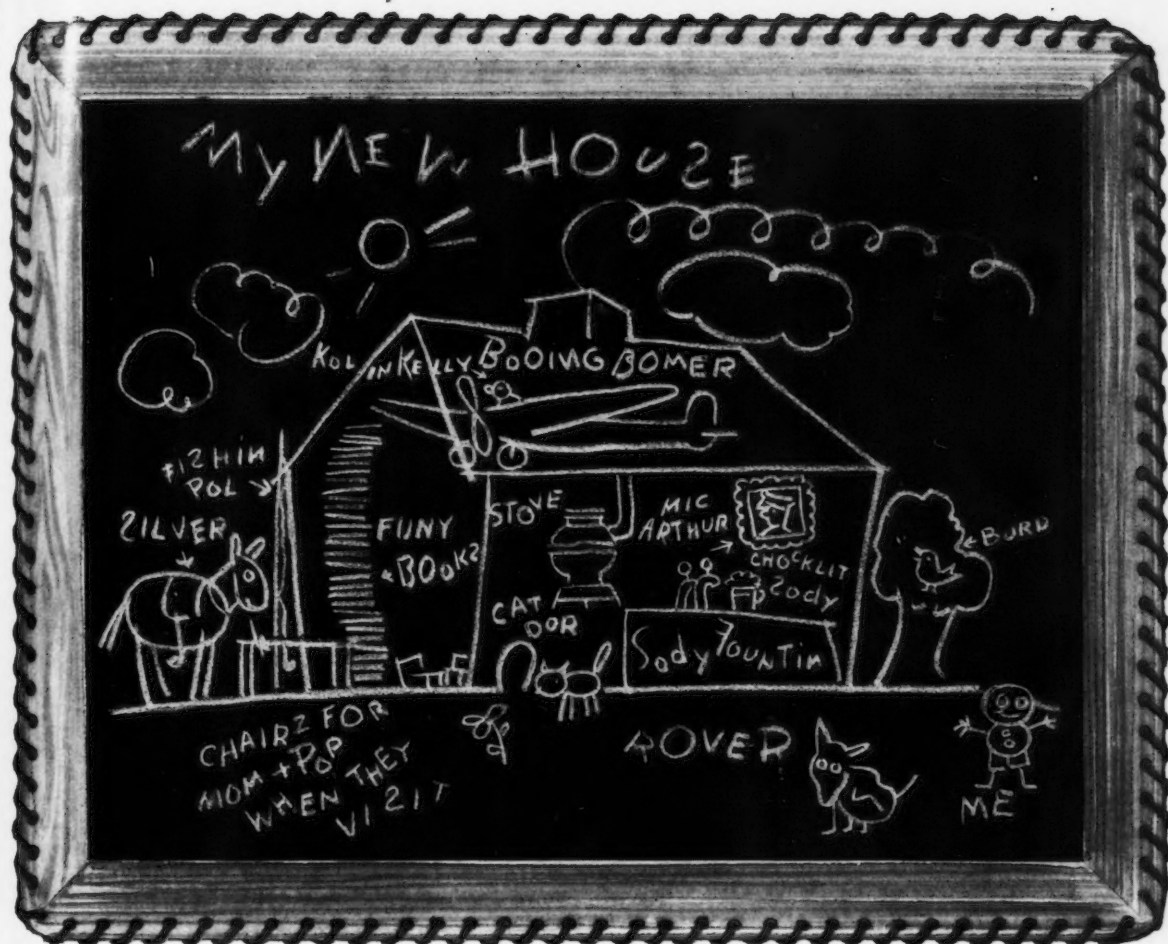
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The laboratory of insurance works on scientific principles. From generations of underwriting experience comes the modern insurance policy with all its aspects of protection and service. Cooperation with industry lessens exposure to loss. More—insurance stores a large reserve against losses that occur unavoidably.



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Homes tomorrow will be Completely Equipped for Better Living...and the operating equipment, so important to "livability," will be

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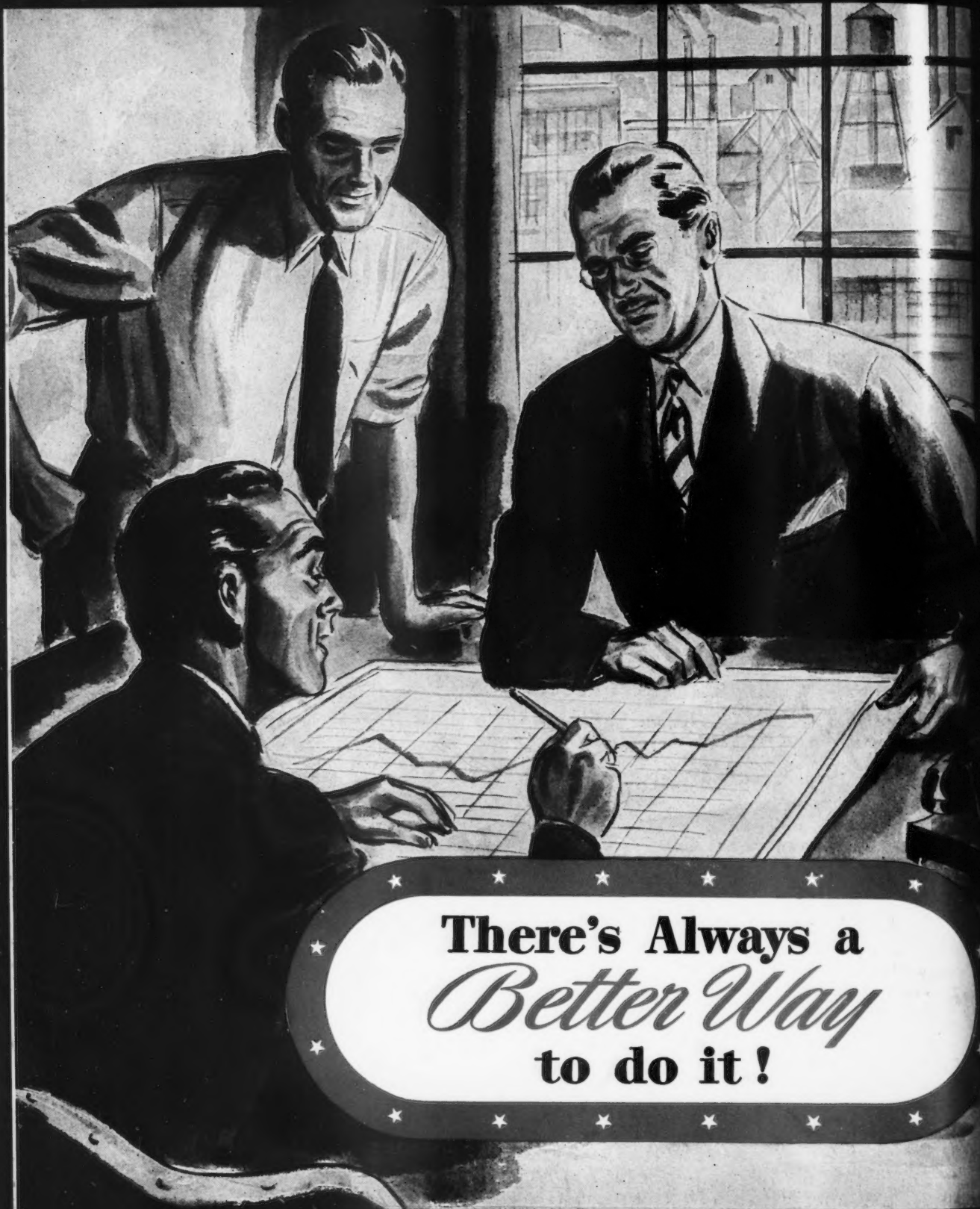
\* \* \*

Mortgage risks go beyond consideration of land and structure. For what a house costs to *live in* determines the owner's ABILITY to pay and his WILLINGNESS to pay. Efficient home equipment will mean *greater security* for him... make him a *sounder mortgage risk* for you.

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